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POST-WAR ECONOMIC POLICY AND PLANNING

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON HOUSING AND URBAN
REDEVELOPMENT OF THE

U.S. Congress Senate.
SPECIAL COMMITTEE ON POST-WAR ECONOMIC
POLICY AND PLANNING

UNITED STATES SENATE
SEVENTY-NINTH CONGRESS

FIRST SESSION

PURSUANT TO

S. Res. 102

(78th Congress)

A RESOLUTION CREATING A SPECIAL COMMITTEE
ON POST-WAR ECONOMIC POLICY
AND PLANNING

PART 9

HOUSING AND URBAN REDEVELOPMENT

JANUARY 12, 1945

Printed for the use of the Special Committee on Post-War
Economic Policy and Planning



UNITED STATES
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SEC. 22. This Act may be cited as the "Federal Urban Redevelopment Act of 1943."

Amend the title so as to read: "A bill to provide financial assistance to the municipalities and urban areas of the United States for real property acquisition, in order to facilitate the development of urban areas and the redevelopment of blighted areas including slums in accordance with plans therefor, and for other purposes."

Senator TAFT. The committee will adjourn until 10:30 Monday morning.

(Whereupon, at 12:15 p. m., the committee adjourned until 10:30 a. m., Monday, January 15, 1945.)

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MAY 8 1945

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NOTE.—There will appear in the final volume an index by subject matter covering the entire series of hearings.

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POST-WAR ECONOMIC POLICY AND PLANNING

MONDAY, JANUARY 15, 1945

UNITED STATES SENATE,
SUBCOMMITTEE ON HOUSING AND URBAN
REDEVELOPMENT OF THE SPECIAL COMMITTEE
ON POST-WAR ECONOMIC POLICY AND PLANNING,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10:30 a. m., in room 301, Senate Office Building, Senator Robert A. Taft (chairman) presiding.

Present: Senators Taft (chairman), Ellender, La Follette, Radcliffe, Wagner, and Buck.

Senator TAFT. The committee will come to order. Mr. Bates will be the first witness.

STATEMENT OF HARRY C. BATES, CHAIRMAN, HOUSING COMMITTEE, AMERICAN FEDERATION OF LABOR

Mr. BATES. My name is Harry C. Bates. I represent the housing committee of the American Federation of Labor. I would like to address you on the subject of labor's post-war housing program.

Senator TAFT. Mr. Bates, you yourself are president of the International Bricklayers Union?

Mr. BATES. Bricklayers and Masons International Union.

The American Federation of Labor welcomes this opportunity to present its views to the Senate Subcommittee on Post-War Housing and Urban Redevelopment. On behalf of the 7,000,000 American wage earners we present the best judgment which we believe to be representative of the great mass of American wage earners.

American workers believe that the formulation of a sound national housing policy is of the foremost importance to the attainment of full employment and of productive stability after the war. The moment hostilities end this Nation will be faced with an extreme housing emergency born of cumulative housing deficiencies of depression and recovery and greatly intensified by wartime conditions. Labor welcomes the committee's active study of post-war housing and hopes the committee will help in guiding the course of action by the Federal Government toward a courageous and constructive solution of the difficult problems ahead.

The current housing need is intensified by each month's duration of the war. It is a challenge for Congress to formulate a realistic housing program without allowing the coming surge of activity in housing construction to become subverted to the service of special interests and to become a speculative run-away boom destructive to the future stability and the welfare of the Nation. Labor trusts that

Congress will not falter in the discharge of its public responsibility and will contribute full measure of statesmanship to the development of a policy designed to harness the latent forces in our economy to the attainment of a dual objective—achievement in the years to come of stable growth in America's standard of living and elimination of mass unemployment.

The task ahead for American enterprise and for labor is truly vast. The size as well as the complexity of this task calls for full cooperation on the part of private enterprise, labor, and the Government if America is to succeed in meeting this great challenge of the times. American labor, industry, business, and the general public alike have a vital stake in the production as well as the best use of the housing so urgently needed. It is in the common interest of all groups to see to it that the homes to be provided are well designed, soundly constructed, properly located, and priced to be within the reach of the maximum number of families. We can and should make sure that all these conditions are met in order to maintain housing production at a steady flow and avoid wide and destructive fluctuations which persisted in the past. On our ability to maintain high levels of housing production depends our ability to keep full employment stable in the years ahead.

Labor believes that this can be achieved through a comprehensive approach to the problem. Labor therefore calls for a comprehensive, integrated program designed to meet the accumulated housing needs of all income groups. Of special importance is the assurance that families of moderate and low incomes have access to good, decent homes in which to raise their children.

At this time, after a period of virtual cessation of construction activity, we have before us a unique opportunity of reopening the entire field of residential construction. We have an unprecedented chance to provide and plan wisely. In every town, in every city, and in the Nation as a whole, we have a choice to make. This choice is between development of post-war housing which is carefully geared to the shifts and realignments of economic opportunity, of employment, and of incomes of wage earners derived from their jobs. This choice means development of well-planned communities whose progress can go hand in hand with their economic growth.

The other choice is to let things happen as they did in the past and to accept the inevitable consequences—haphazard neighborhoods subject to economic instability, wide fluctuations in population, uncontrolled real-estate speculation, a succession of inflation and collapse in values, with recurrent periods of widespread liquidation, bankruptcy, and destitution.

Millions of American families have made their choice long ago. The choice was made for them by the bitter experience of foreclosure, eviction, loss of savings, and distress under pressure of inexorable forces beyond their control. Looking to the future, the American laborer demands orderly development of homes, neighborhoods, and communities, each inseparable from the other, under the guardianship, trusteeship, and leadership of the entire community. We are certain that the American people welcome and are prepared to insist on the exercise of true public responsibility on the part of every municipality, every State government, and on the part of the Federal Government to achieve this end. For it is a historic duty for everyone of us to make America a better place to live. That duty can be discharged

only through concerted undertaking by the whole community of the specific tasks of planning, development, and building of better cities, better neighborhoods, and better homes.

The mainspring of such orderly development of our productive resources for better living lies in the capital, the enterprise, and labor with which America is rich. To make the development orderly it is necessary first, that there be a balanced teamwork of all the participating groups and, second, that the municipal, State, and Federal Governments maintain the checks and balances essential to guard the public interest. Labor is ready to accept its responsibility in this joint task and looks forward to an opportunity of discharging that responsibility through its proportionate share in the councils in which plans, policies, and procedures are formulated at the community level as well as nationally.

Provision of good homes is a responsibility which rests primarily on the local community. What kind of a place the city, town, or village is to be is for the people of that city, town, or village to decide. At the same time, there is no longer any doubt that the rebuilding of America after the war is a task which local communities cannot undertake alone. They will need guidance and aid.

The effort of any city to clean up its bad housing and to make it a better place to live is doomed to failure if shanty-towns, slums, and blight are permitted to spread just outside the city limits. Construction standards must be made uniform, and rebuilding plans must be unified through a concerted effort of local governments of all jurisdictions in the area. City limits, municipal boundaries, or county lines must not become barriers to comprehensive and well-planned redevelopment of metropolitan areas, including all suburban sections surrounding the city proper. To effect cooperative arrangements among local governments is a responsibility in which State governments must not only share, but also lead.

In the transition from war to peace the share of the responsibility of the Federal Government is of special strategic importance. Our studies, conducted during the past year, show that demobilization of war industries and of the armed forces is bound to result in mass shifts of population. These new migrations will profoundly affect a great many communities. Under the stress of new dislocations, hundreds of communities, large and small, and a number of whole areas will become distress areas of the Nation. A concerted effort is imperatively needed to prevent this distress and remedy these situations with the aid of the National Government.

No housing plans can be sound unless they are intimately related to the employment plans of the entire country. Fact finding, planning, and programming of housing after the war will not meet the essential post-war goals unless the Federal Government is fully equipped to provide factual information to the communities and to all groups concerned. The need is for information not dealing with housing alone, but related to all factors of employment and production essential for the formulation of an economically sound housing program. In the past, Congress wisely provided for Federal assistance in the form of mortgage insurance of the F. H. A., for relief to lending institutions and home buyers under the H. O. L. C. and aid to rehousing of slum dwellers under the U. S. H. A. Labor believes that these services, indispensable to the solution of the Nation's housing

problem, should be strengthened and supplemented by further aids and services.

We urge that provision be made for Federal grants to individual communities for local market surveys and project planning. Informational tools should also be provided to local communities to enable them to share in the experience of others and to attain a high standard of performance. It is also extremely important that a large measure of positive financial aid be extended to local communities in the work of urban redevelopment. Help and guidance in planning such redevelopment must also be given.

The Federal Government can also do much in assisting in the development of mutual home ownership and in assuring sound financing and administration of mutual home ownership projects. The basic condition of all Federal assistance should be the requirement of full compliance with minimum standards to be prescribed as fundamental to a sound national housing policy.

To fulfill this responsibility of the Federal Government, we recommend the creation of a permanent statutory National Housing Board under which the activities of the several Federal housing agencies should be unified. We propose that the National Housing Board, to be made responsible for over-all policy, consist of five members: Its chairman, to act as the Administrator; one member to represent Federal agencies responsible for private housing; one member to represent the public housing agencies of the Government; one member to be drawn from private business; and one member to represent labor. We believe that labor representation should be assured in the policy and operating functions of the Board and of its constituent agencies.

Another important consideration should prompt Congress to provide without delay a statutory basis for a unified housing administration. It is extremely important that the Nation's post-war housing program be conceived and executed as one comprehensive, unified program for the entire Nation. Our country's ability to avoid a major economic crisis in the years after the war, to escape the recurrence of mass unemployment and of widespread business and economic distress, depends so heavily on the rapid and orderly development of a large-scale housing program that the creation of an aggressive and effective agency to guide and further such a program becomes a primary requirement of America's strategy of peace.

Senator TAFT. You prefer a board at the head rather than an individual, single administrator?

Mr. BATES. That is right, a board at the head. At the present time the National Housing Agency functions by administrative order and I believe there should be a statutory enactment establishing a board.

The idea of unified policy, a policy which would make sure that we attack the enormous housing need from all sides and with all available weapons, is fundamental to the effectiveness of our post-war housing program and essential to its success. There is an acute and widespread housing shortage throughout the land. The physical need for shelter, for the provision of homes, is not a need confined to a particular section of the country, a particular class of people, or a particular income group. This need cuts clear across our entire

community. It can only be met through a closely knit, interrelated set of positive measures.

The post-war housing market must be looked upon as a universal housing market. It is a market in which families of all incomes must participate. Unless we mobilize every available instrumentality of enterprise and commerce and bring into fullest possible use every available resource of skill, of labor and materials and, where necessary, of Government aid, within a comprehensive framework of a unified long-range plan, we will fail utterly in our entire peacetime endeavor to achieve full employment. Unless all interests concerned in housing team up with the Government to carry out such a plan, we will likewise fail in our effort of post-war reconstruction and redevelopment.

HOME OWNERSHIP

The American worker wants to be a home owner. The outright ownership of a home is the expressed desire of the great majority of our wage earners. Until the outbreak of the war the trend has been away from home ownership and toward tenancy. This was not a matter of preference on the part of workers, but the result of the bitter experience of a great many workers' families. Too many workers families went through the heartbreaking foreclosure of what was to have been their own home. Too many lost their entire savings in the futile effort to become home owners. Too many came to realize that without proper safeguards they cannot afford to undertake the burden of long-term home purchasing.

The American Federation of Labor believes that home ownership should play a major role in housing post-war America if established on a sound basis for families able to assume the obligations and risks of home purchase. The feverish home-ownership movement after the First World War, which was built upon unsound appraisal methods, insecure second and third mortgages, short-term unamortized loans, and general illiquidity in mortgage investments, naturally brought many home owners, mortgage institutions, and banks to grief in the subsequent deflation. At least two-fifths of the number of homes built during that boom were either foreclosed or rescued by the Home Owners' Loan Corporation in the depression which followed. By June of 1933 foreclosures were occurring at the rate of 1,000 daily. The American Federation of Labor does not wish to see the home-ownership movement after this war destined for similar fate.

In our cities and towns home ownership sharply declined in the 10 years preceding the war. The tragedy of our housing market in the decade of the 1930's was that while more and more urban families chose to rent rather than buy, of the residential dwelling produced during that time two-thirds more were designed and built for sale than the existing demand for such housing.

Special significance attaches to the fact that the families of wage earners participated in home ownership less than any other group. In 1939 only 30 percent of all urban families whose sole source of income was wages were either buying or owning their homes. Most wage earners in the lower-paid industries and those with wage incomes of less than \$1,000 per year were tenants and were unable to afford the financial burden of home ownership. Even in the highest-paid occupations and in the highest family-wage income bracket of \$5,000 a

year or more, only one-half of families were prepared to assume the risks of home buying and home ownership.

The work done by the Federal Housing Administration before the war in putting home ownership on a sounder basis is encouraging. The F. H. A. record in reducing the number of foreclosures has been excellent. It is only a part of realism, however, to admit that the risks assumed by the Government under the F. H. A. plan have not yet met their real test.

The F. H. A. has never weathered a depression. It has never gone through an important decline in real-estate values nor a period of liquidation. Most of its success to date must be attributed to its short existence, to the rising price levels, and the supporting effect of the wartime inflation of the last few years. Unless effective safeguards are established, homes bought under F. H. A. insurance in the post-war housing boom will have to weather a major deflation. We should make sure now, before it is too late, that the system of mortgage insurance is equipped to weather a storm of mass liquidation and that another collapse is averted which would lead to mass distress among home buyers.

In this connection it is necessary to stress the relation of the F. H. A. mortgage insurance to the obligations and risks incurred by the home buyers themselves. Mortgage insurance underwrites the entire risk of the lender. While giving full protection to the lender, the mortgage guaranty gives no protection whatsoever to the home buyer. If, because of temporary unemployment or other economic hazard of the kind to which the wage earner's family is constantly exposed, there is even a brief default in payments, the buyer's savings invested in the property up to that time become a total loss along with the loss of his home.

The American Federation of Labor believes that, before we reach the crisis, adequate provision should be made to protect the home owner. We propose that at this time consideration be given to the following changes in the Federal legislation applicable to the F. H. A.:

(1) Easier terms should be supplied to the home-purchasing family. Mortgage interest payments constitute the largest single cost to the home buyer. The present interest rate on loans fully insured by the Federal Government results in a yield too high for risk-proof investment. We ask that the rate of interest on F. H. A. insured mortgage obligations be limited to not more than 1 percent above the going Federal rate of interest.

We also propose that an amortization period longer than the present 25-year limit be permitted and recommend that this limit be extended to 32 years. In this connection we suggest that consideration be given to the requirement of a fixed payment against the principal of the loan throughout the life of the mortgage to make possible a more rapid amortization during the early years of the mortgage.

(2) There should be increased flexibility in the home-ownership arrangement to accommodate the families whose future needs cannot be predicted at the time of home purchase. The home buyer's investment should be protected in cases of default due to unemployment or other causes. We recommend that provision be made for a grace period or moratorium on payments, extended under stringent safeguards up to 2 years, enabling the home buyer to make good the lapsed payments by lengthening the life of the mortgage proportionately.

We ask that a provision be written into law protecting the home buyer against deficiency judgments which may unfairly burden a family long after it was forced to abandon its home for reasons beyond its control.

It would also be wise to provide for a prepayment formula so that larger payments made during good times could be used to tide the home buyer over subsequent difficulties.

(3) We ask that the interests of the home buyer be protected by assuring soundness of construction through compliance with firm minimum standards. We recommend the use of a system of certificates of compliance under which any failure of the builder to comply with the minimum structural standards, which may be discovered within 2 years after delivery, be made subject to redress or penalties.

Senator TART. Is there effective inspection today?

Mr. BATES. Well, the F. H. A. says so, but I do not agree that there is enough inspection.

(4) We believe it is of vital importance that proper wage and employment standards be maintained on all home construction. We urge that the present requirement of the law that not less than prevailing wages be paid on F. H. A. insured projects of \$16,000 or more be extended to all home construction subject to the F. H. A. insurance.

(5) We ask that the minimum standards of construction and the inspection procedures of the F. H. A. be reviewed and strengthened and that better standards of design and planning be required, including conformity to sound neighborhood plans. Neighborhood and community planning relating housing to employment, shopping, recreational, and transportation facilities would go far toward guaranteeing a long and satisfactory life of properties underwritten by the Federal Government and prove to be a powerful force behind better city planning. Application of such standards would provide better living for home owners and help keep the F. H. A. insurance system actuarially sound.

Senator RADCLIFFE. As to your suggestion in regard to the elimination of deficiency judgments, is it your idea that would apply only to F. H. A. mortgages?

Mr. BATES. I did not get the question, Senator.

Senator RADCLIFFE. You suggested a little while ago that the deficiency judgment should be eliminated, or there should be a provision that it can be eliminated and dispensed with. Have you in mind only F. H. A. mortgages in that respect?

Mr. BATES. Well, F. H. A. mortgages or any other mortgages that are guaranteed by the Government. That would cover the mortgages possibly in the G. I. bill for the returning soldiers.

RENTAL HOUSING

Families who wanted to rent their homes have often been forced to become buyers. This was true during the last war, during the boom following that war, and in the 1930's. During the present war thousands of families, ill-equipped for home ownership, have been forced to buy homes. This has been due chiefly to a grossly inadequate supply of rental dwellings. Such rental housing as could be found has been for the most part poorly designed to supply the light, space, landscaping, and recreational facilities required by most families, especially those with children. Many families need the

flexible life arrangements which rental housing can provide. Others do not want or cannot afford the burdens and responsibilities of owning a home. For these families a larger supply of rental housing should be available. To this end we recommend—

(1) Responsible organizations should be encouraged to make large equity investments in rental housing projects. Such encouragement, however, should not take the form of permitting speculators to initiate housing developments whose costs are completely covered by mortgage loans. Marginal investments in rental housing will not insure continuing ownership responsibility nor adequate management, both of which should be provided for in any formula worked out to encourage rental housing.

(2) Insofar as possible rental housing developments should be large in size, of low density in land coverage, varied in apartment sizes and shapes, and well provided with playgrounds for children, recreational facilities for adults, shopping and transportation services and other community facilities. Through zoning and other forms of land-use control, inferior rental housing, likely to deteriorate into future slums, must be prevented.

MUTUAL HOME OWNERSHIP

For the millions of families in the middle-income groups who are unable to afford to buy a home built by private enterprise for profit, or to assume the risk of individual home ownership, and who are not on such a low income level as to require subsidy through public housing, mutual home ownership provides a means of obtaining needed housing on a stable basis. The formula developed by the Federal Public Housing Authority for mutual home ownership has already been tried experimentally and met with gratifying success. The American Federation of Labor feels that every effort should be made to develop mutual home ownership on a sound basis. To this end we propose the following:

(1) Mutual home ownership is especially suitable in the permanent war-housing projects now occupied by war workers. Where future employment stability of the present occupants is reasonably assured, such projects should be offered at reasonable prices to the tenants organized into mutual home-ownership corporations. Assistance and guidance in this development should be provided by the Federal Public Housing Authority whose operating and management experience could contribute much to the successful development of independent and self-reliant mutual home-ownership enterprises.

Senator TAFT. Are you proposing mutual ownership of houses or just mutual ownership of buildings containing a number of apartments?

Mr. BATES. Either a number of apartments or housing groups, such as are now under mutual home ownership. Mutual home ownership is being experimented with and has been placed into effect on three or four war-housing projects, one at South Bend and one at Dallas that I know of, by the Federal Public Housing Authority.

Senator TAFT. I had a general impression, where it had been tried before the war, at least, it was not a success.

Mr. BATES. It may not be a success in every instance, but there is no reason why it should not be a success under the guidance of the Federal Public Housing Authority whose operational and management

experience would contribute much to these mutual home-ownership corporations.

Senator TAFT. I had the impression—it may be superficial—that where they had them they all got into a row with each other, nobody agreed on how the thing ought to be run, and that when you come to a thing as intimate as a home people wanted to run their own or deal directly with some one person.

Mr. BATES. There may have been something of the kind, but that should not be an indictment of the whole project.

Senator ELLENDER. What would be the advantage of mutual home ownership if the homes were built separately?

Mr. BATES. They could be built by a corporation in which each home owner could participate. We have projects now in areas that would last 35 to 40 years, which would have to be built under the Lanham Act, so why not now let the tenants of that housing project, who are sure of steady employment in that area, join together in the corporation and buy the homes from the Government?

Senator ELLENDER. It is in those instances that you would advocate it?

Mr. BATES. Yes.

Senator ELLENDER. As far as new buildings were concerned, you would not care for it there, would you?

Mr. BATES. I do not think that can be extensively put into effect, but only in the case of those groups that are just above the groups now covered by the United States Housing Act. The groups that do not own enough, or that are not in a position to go out and get their homes under present circumstances in such projects, they could, in that manner, under sound management, buy their own home and have a home to live in.

Senator TAFT. I could see the possibility of success in an apartment house of some kind, where you have a number of apartments, but I would rather question it where you have a whole project of individual homes.

Mr. BATES. That is something that has not been tried very extensively, but we are of the opinion that it could be worked out, and it would be the means of large groups of wage earners getting their own homes.

Senator RADCLIFFE. A little while ago you, I thought, very wisely stressed the spirit of caution which would restrain some people from rushing prematurely into home ownership except under certain conditions. In advocating what you have you do not in any way withdraw or modify your statement with regard to that?

Mr. BATES. No.

Senator RADCLIFFE. The same feeling of restraint should prevail in this instance as you advocated before?

Mr. BATES. That is right.

(2) Loans for mutual-home-ownership projects, up to 100 percent of the cost, should be authorized by the National Housing Act under F. H. A. insurance.

PUBLIC HOUSING

In achieving a universally effective housing market an aggressive program of slum clearance and rehousing of low-income families is America's first line of defense against failure in post-war development

and expansion of all housing and against continued decay of our cities. The chain is as strong as its weakest link. In the same way the total housing supply of a community and its total housing plan can only be as effective as the assurance of good housing in decent neighborhoods to the poorest families and children in that community.

As a matter of a sound and tested policy in the broadest public interest, labor calls for resumption and expansion of the slum-clearance and rehousing program of the U. S. Housing Authority to provide decent homes to families of low income whom private enterprise cannot reach. We ask that early consideration be given by Congress to the appropriation of funds under the U. S. Housing Act sufficient to achieve an annual rate of construction of 500,000 dwelling units a year to be built under local programs of properly constituted local housing authorities. We urge initial appropriations to make possible construction of not less than 250,000 dwelling units immediately following the cessation of hostilities. Congressional action is extremely urgent. An early authorization of adequate funds will enable local housing authorities to plan projects now so that construction may be initiated as soon as war conditions permit.

We further recommend that the fullest possible use be made of the permanent war-housing projects for the housing of low-income families. We ask that the Lanham Act be amended without delay to permit the disposal of permanent war-housing projects to local housing authorities to house low-income families.

To perfect the slum-clearance and low-rent-housing program provision should be made for greater reliance by the local housing authorities on private financing instead of Federal borrowing. Local housing authorities have been notably successful in obtaining low-rate funds from the sale of their bonds. An extension of this phase of local authority financing would make virtually all of the needed capital funds available from private sources.

We should like to stress that no program for large-scale construction of good housing and no plan for comprehensive urban redevelopment can succeed unless slum clearance and low-rent housing for low-income families with Federal aid is made the prime instrumentality for cleaning up the areas of economic and physical distress in our cities. The U. S. H. A. plan, which has proven itself extremely sound, will not only enable the Nation to undertake a truly effective universal program of housing under the prime leadership of private enterprise but will also pay large dividends and afford great economies in cutting down the enormous costs of economic backwardness, delinquency, and crime now borne by our communities and by the whole Nation.

Senator TAFT. You are proposing a somewhat larger program than I have heard expressed, perhaps; 500,000 is 5,000,000 in 10 years.

Mr. BATES. That is a large program, but we never get what we ask for by any means, so we thought we would ask for a larger amount and maybe we would get half of that amount.

URBAN REDEVELOPMENT

Our cities from coast to coast have developed in unplanned and speculative spurts. The downtown areas have suffered from declining taxes due to the decentralization of industry and population to the outlying areas while becoming an ever-increasing burden to our cities.

Blighted districts have developed which must be rehabilitated before they deteriorate still further. Slums, both an economic burden and a social liability, will continue to spread if not checked. Development on the borders of our cities must be controlled or we will have further sprawling and uneconomic decentralization.

These threats to decent housing of our cities, to the economic development of our metropolitan areas, and to the fiscal position of our municipalities can be stopped only by a comprehensive program of planned reconstruction and redevelopment of our whole metropolitan areas. The only effective way to accomplish this is through the use of Federal assistance. The American Federation of Labor recommends a long-term urban redevelopment program designed to replan and rebuild our cities and towns for sound and stable growth.

Such a program should embrace the following:

(1) Federal funds should be made available to local public agencies, preferably the local housing authorities to assist them in assembling the land in accordance with the local development plans. The Federal Public Housing Authority should administer this program making use of the techniques and methods developed under the United States Housing Act.

(2) Legislation providing for this program should enable the acquisition of any land needed in connection with metropolitan development in conjunction with a detailed and up-to-date master plan indicating land use; residential, recreational, business, industrial, or a combination of these; and plans for public improvements in transportation, parks, and public utilities. Specific area land-use plans should include major street changes, density, and rent limits, and rehousing policies. The grant of Federal funds should be conditional to the fulfillment of these requirements. It is vital that controls to enforce standards be extended to outlying suburban areas to prevent growth of suburban slums at the expense of downtown areas.

(3) The land acquired and improved should be made available for development by private enterprise, for use by the local housing authority in constructing low-rent projects, or for other public uses. Safeguards and control of land developed by private enterprise should be exercised and retained by a public agency in order to guarantee protection of the public's interest in those developments.

(4) Most important of all is to require as a condition to Federal aid that the local government take the responsibility for assuring decent housing at rentals within their means for any families evicted because of land redevelopment.

COORDINATION AND PLANNING

Without continuous administrative coordination and long-range planning, the way toward the achievement of balanced, well-rounded communities with adequate housing and the amenities of life at the disposal of all will remain the haphazard groping it has been in the past. Such research and planning is not the function of a single, central group trying to master-plan America's future to suit its own whims and predilections or in response to special pressures.

Every functional group on the local, State, or Federal level should take part in this joint task. The Federal Government is in a peculiarly favorable position to give leadership in the work of research,

coordination, and planning, and to make its findings available for discussion and use.

In the field of coordination, research, and planning we recommend the following steps:

(1) The cooperative effort of the Federal housing agencies during the wartime emergency should be continued after the war and should be facilitated by making the National Housing Board we have recommended a permanent arm of the Federal Government, with certain organizational changes to insure adequate representation in policy decisions to the business interests concerned, to labor, and the operating Federal agencies engaged in housing.

(2) Federal grants should be made available to communities to assist in the preparation of long-term plans for orderly urban development and redevelopment.

(3) Funds should be available to the National Housing Board to initiate intensive studies in urban problems and housing and to cooperate with other agencies and departments in research and planning in such fields as population trends, industrial location, land development, and regional planning.

(4) The National Housing Board should have the staff and facilities to coordinate the various levels of planning market studies and other research in this field, so that local, metropolitan, State, regional, and Federal planning can move forward together.

(5) The National Housing Board should be given prime responsibility in the task of long-term scheduling of public works directly related to housing and urban construction so that emergency spending in this field will not be hasty and haphazard but will fit into the long-range development of the United States.

RURAL HOUSING

Provision of rural housing to low-income farm families presents a special and a vital problem in the housing rehabilitation of the country. We recommend that such rural housing of adequate standards be provided with the aid of county housing authorities, many of which have been created for the purpose under the U. S. Housing Act, with adequate representation to farmers assured on such authorities. Fullest cooperation with the Department of Agriculture will be necessary in all policies and operations of the rural housing program. Demountable homes built during the war should be made available to farm families on equitable terms through such county housing authorities.

This rural housing should be a part of farm rehabilitation and farm security plans. The program should assure full protection against inflated land values and should extend to farm families an option to purchase any property acquired under the program on rental basis.

DISPOSITION

We have already urged prompt amendment of the Lanham Act to authorize local housing authorities to acquire permanent war housing to make them available for occupancy by low-income families. This recommendation is in line with the proposal submitted to Congress by the Director of War Mobilization and Reconversion.

We have pointed out also that some permanent war housing projects could be made available to tenants under mutual homeownership plans. Disposition of temporary war housing will present in many localities a more difficult problem. We urge a public policy to make certain that temporary war housing does not deteriorate into post-war slums. Temporary war housing should be removed as rapidly as possible and as soon as provision is made for suitable permanent accommodations for families still occupying these temporary projects. Wherever possible, suitable sites of temporary war housing projects should be utilized for the construction of permanent low-rent housing.

HOUSING FOR VETERANS

Of special concern to labor is the provision of post-war housing to veterans. The Servicemen's Readjustment Act of 1944, generally known as the G. I. bill of rights, utterly fails to protect the interests of the veteran. The housing provisions of this law expose the veteran to speculative profiteering at his expense and place upon him an unreasonable and unfair burden of high interest charges by lenders whose loans are fully guaranteed by the Government against risk.

The majority of veterans paying high interest charges and maintenance costs will not be able to maintain a home when they attempt to buy one. We urge that interest rates on the veterans' housing loans be substantially lowered. There should be no second mortgages. No deficiency judgments should be permitted against veterans in the event that they lost their homes. There should be adequate grace period to tide over veterans in the event of default.

In the event of the veteran's death, provision should be made to assure the security of the home to his family and to prevent speculative resale of the property by the mortgage lender. Standards should be established to provide for proper planning and design of veterans' homes and their location in an adequate neighborhood that will protect them against early obsolescence and blight.

The present law exposes the veteran to the danger of the worst fleeing of any group in the community. Overvaluation possibilities alone can be disastrous to him. The provisions of this bill are likely to yield such an enormous volume of housing construction completely exempt from all standards, even the present inadequate standards of the F. H. A., that the entire post-war housing program in the Nation stands in grave jeopardy of deterioration.

We ask that the Senate authorize a special study of housing for veterans with full consultation afforded to all veterans' organizations and to labor.

CONCLUSIONS

We have a tremendous job on our hands. It's got to be done. To get it done and to do it right calls for realism, for complete agreement regarding the objective, and for real teamwork on the part of all concerned. To have such teamwork we must have the rules of the game clearly defined and agreed to in advance. To enable us to reach our goal there must be leadership and drive. It is up to Congress to provide that leadership and to give the Nation a comprehensive program for which it asks.

To be realistic in our effort we must be fully aware of the difficulties and limitations of the task. We must not be led astray by false promises of miracles or by cheap quack remedies. The foremost among the realities facing us is that stable jobs and steady incomes for wage earners are the only source of a large-scale housing market. Unless wage incomes are stabilized at a much higher level than they ever were before the war, no formula and no device will enable us to bring good, privately built housing within the financial reach of the great mass of our wage earners.

We must also be realistic about how the job can best be planned, how it can be done, and what kind of homes it will provide. The strategy of post-war housing must be bold in its scope but it cannot be divorced from practical experience. The planning it calls for is practical planning. It must reckon in dollars and cents, including the dollars and cents in the worker's pay envelope. Armchair builders and parlor planners will not build post-war housing. What lasting advances we make in providing more and better homes will be brought about by the combined skill, experience, and ingenuity of American enterprise and given reality by those who have the skill and the know-how of design, development, and building.

We must be realistic also in making sure that we provide the kind of housing that the people need and that the people themselves want. In meeting the demand of the people, full use should be made of all modern and real technical advances. We should recognize, however, the plain truth that the average American family does not want a dehydrated home and prefers to live in solidly built, safe, and durable dwellings, not in flimsy match boxes.

There must be candid realism also in our approach to the housing costs. The biggest single cost of home ownership is the cost of financing. Reduction in interest rates is the most important step to lower the cost of home ownership. Reduction in construction costs must be achieved but without sacrificing the minimum standards of health, safety, and durability. In the period immediately following the war, control of prices on building materials should be continued. The accumulated pressure of unsatisfied demand is far too great to avoid runaway building material prices unless they are held in check.

We must be realists, finally, about the related responsibility of the local, State, and Federal Governments in the post-war rebuilding and redevelopment of our cities. Each must assume a full share of the responsibility or none will succeed. The job of local planning and the operating task of development and construction is the prerogative of the local community. But that job cannot be done unless the Federal Government assumes its full responsibility for financial aid commensurate to the critical need for better housing for all, a need deeply aggravated by the war emergency.

The Housing Committee of the American Federation of Labor has reviewed and revised its estimate of the housing need. Our estimate is based on the assumption that final victory will come in 1946. We estimate that in 1956, at the end of the first 10-year period following the war, the accumulated physical need for urban residential housing will total 15,600,000 dwelling units.

This is a conservative estimate. We call for a 10-year program of housing construction reaching the average annual pace of 1,500,000 units per year. Such a program would enable us to meet most of the

minimum need. Its volume could be readily kept up in subsequent years. While we never before attained such a high annual volume of home building, we can attain it, if we decide to attain it and prepare to attain it.

Full volume of residential construction on the scale indicated can be reached within 5 years following the war. Let us set that volume as our goal. It should be our goal for full employment. The American Federation of Labor believes this minimum program for meeting the accumulated housing need to be the least expensive, the most productive, and the most powerful generator of post-war employment.

Senator TAFT. As to that 1,500,000, 500,000 would be public housing under your plan and 1,000,000 would be private housing?

Mr. BATES. If we could get that.

Senator TAFT. Mr. Bates, I am interested in your criticism of the veterans' housing provisions.

Mr. BATES. Yes.

Senator TAFT. Can you give us a little detail as to just how the act is at fault?

Mr. BATES. I am not familiar with all the details, but the fact remains that the bill provides, as I remember, that the veteran can have a \$2,000 loan guaranteed by the Government. He will go to a lending institution, to a bank, and he can borrow 80 percent of the cost of the house, say, \$5,000; and if he gets a 4½-percent F. H. A. mortgage loan of \$5,000 the Government would also guarantee under the G. I. bill a loan for the down payment of \$1,250 on that purchase, and he will get that loan for 5½ percent.

Senator TAFT. From the Government?

Mr. BATES. From the bank.

Senator TAFT. You mean the whole \$5,000, or does he get two loans?

Mr. BATES. If he had to get the second loan he would have to pay an extra percent. The first loan would be guaranteed by the F. H. A.

Senator TAFT. Why should not he borrow under the F. H. A. provisions and have the Government help him out with the 10 percent, if necessary?

Mr. BATES. I do not know why that was not done, but evidently the private lending institutions of the country were able to see to it that these loans should be made through them. Of course they do not stand a chance to lose a cent.

One other problem in that connection should be given study, and that is the fact that if all the returning veterans after the war were granted loans to build homes and there were not a safeguard placed on the homes, we could expect, oh, I should say, 60 percent of them to be foreclosed by the lenders and placed back on the market for sale, and if there were no restrictions placed on the resale of those homes they would be resold at a price higher than the mortgage and the cost of the house originally. I think this committee should give close study to that G. I. bill of rights insofar as it affects housing and the soldier's interest and his protection under the law.

Senator TAFT. It may upset the whole program. I think we have got to give consideration to it in some way; at least, we ought to spread it out.

Mr. BATES. I have outlined a program providing that a good many homes should be built in the 10 years after the war, but the fact remains unless there are some restrictions kept on the price of building

materials, with all of the loans given to the veterans to build homes you would have a demand for materials so great that the prices would skyrocket, and only those that had plenty of money would be able to buy the needed materials to build homes immediately.

Senator ELLENDER. Would not the same thing apply to the cost of labor?

Mr. BATES. No; there would be plenty of men coming back from the Army to do all the work that would be required on these homes. There are over 1,500,000 American Federation of Labor members in the armed forces now, and the only reason we have a shortage in construction labor at the present time is because all the young men are in the Army. But they are going to come back, at least we hope a good percentage of them, and they may want jobs and there will have to be jobs for them.

Senator TAFT. You spoke, however, of the maintenance of the high wage scale. Does not that have a counterpart in the maintenance of a high cost for homes? Have you any suggestion as to how the high cost of homes may be kept down?

Mr. BATES. Now, I want to ask that Mr. Shishkin be given permission to make a statement for a few minutes, and he will cover that phase of it.

Senator TAFT. I think, in connection with that, we might add the question of whether a guaranteed annual wage would look toward a lower cost. I think it might be for the benefit of the committee to know what the effect of seasonal unemployment in the building industry is.

Mr. BATES. I do not see, Senator, how you can place a guaranteed annual wage into the construction industry. We had given study and thought to that way back to the depression years. We work for contractors, we work by the day and by the hour, and the man we work for may not have a job for us tomorrow.

The construction wage scale is established for building trades' mechanics—the workers who may be laid off at a half hour's notice. The wage over a period of a year received by the construction worker is not high; it is a low wage. The reason that this so-called wage may appear high to some people is because of the fact that to the industry and everybody else it means that when you need the service of the construction worker he should come immediately at your beck and call, and whenever you finish with him you don't let him work there any further, you don't let him work to the end of the month, you don't even let him work to the end of the day; but if he gets through at 3:30 in the afternoon he gets his money and he goes home.

When a builder, or an industrial plant, or anybody else builds a building and they make a loan for it they have to pay interest on the loan. The wages paid to building construction workers is far less than the cost of that particular construction. He wants the building completed immediately and without any delay, and therefore there must be an adequate supply of construction workers to meet the demand of those that call for those workers. That is one of the reasons why the so-called wage of the construction worker appears high to those who do not give a close study into the actual facts.

Senator RADCLIFFE. Mr. Bates, it is my understanding, and it has been so suggested, that these G. I. loans should be made only in accordance with what might be considered sound business principles.

In other words, it must be a business proposition, and a workable one. Many of these returning veterans may be in a situation where they cannot set up what you would consider a sound business proposition. How would you take care of that situation?

Mr. BATES. I haven't given that much thought, but there should be safeguards placed around these loans so that the veterans should not be able to secure these loans just because somebody in the neighborhood told them they could get them, where he could get the loan and establish a home and then lose the home 5 or 6 months afterward and have the bank, or a financial institution that sold him the home turn around then and sell the home at a profit. I have not studied the bill sufficiently to suggest what specific safeguards and protection should be thrown around it, but there should be plenty of safeguards and protection thrown around the homes of the returning veterans.

Senator RADCLIFFE. You believe that safeguards can be thrown around it and some kind of arrangement can be worked out where emergency cases can be met, where these people can get homes but where they are not in a position to get them under sound business conditions?

Mr. BATES. I believe so.

Senator TAFT. Thank you, Mr. Bates. We will next hear from Mr. Shishkin.

STATEMENT OF BORIS SHISHKIN, SECRETARY, HOUSING COMMITTEE, AMERICAN FEDERATION OF LABOR

Mr. SHISHKIN. My name is Boris Shishkin. I am the secretary of the housing committee of the American Federation of Labor.

I would like to supplement Mr. Bates' statement by very briefly presenting, first, a few simple facts that have not been given general consideration and which we believe to be fundamental to the post-war housing program. They are plain facts of life. They are the facts that every home builder, every real-estate agent, and every housing administrator should know.

The first requirement of the average American worker is security in his employment. A worker's job is his livelihood. The wages he earns are almost invariably the only source of support of the wage earner's entire family. The wage earned by productive work is decisive in determining the American standard of living. For that wage is the measure of the wage earner's ability to provide for himself and his dependents the essentials which include food, shelter, clothing, medical care, recreation, and savings.

In the past the worker's job has never had long-term security. The loss of work and income has always been a major hazard for the wage earner. His wage has been even less secure. In most industries and occupations, in mining, manufacturing and trade, there have been wide fluctuations of income. Every seasonal fluctuation in industry means a temporary lay-off without earnings, and every few years come longer shut-downs, with uncertain duration of joblessness each time.

In planning for the future, we cannot escape the plain economic realities of the past. The average wage earner has never had economic security. Except in wartime, we have never had full employment. Full employment has become a glib phrase whose real meaning few people have grasped. Yet, its meaning is of vital concern not only to

the worker but also to every mortgage lender, every businessman and every tradesman.

Full employment means not only jobs for all those who are willing and able to work, it also means jobs at a fair wage. Nor does full employment mean a job for every worker for a month or for 1 year or 2 years or 6 years. Full employment should mean continuous productive employment at fair compensation over the entire productive life span of the wage earner.

It is easy to forget today that only a few years ago the lives of most workers were overshadowed by full or partial unemployment. Only a few years ago the employment and personnel policies in our industry were policies born of the depression. As recently as 1939 and 1940 committees on older workers were created in the Federal Government and in the several States to deal with the employment policies widely prevalent in many sections of industry where the services of a worker over 40 years' old were no longer required—regardless of his skill, ability, or productive capacity.

The Federal Committee on Employment Problems of Older Workers reported on March 1939 that—

While employment improved after the age of 25, some time after the age of 40 for men and after the age of 35 for women, a reversal in this downward employment trend sets in and thereafter employment prospects decrease. * * * Unemployment in Philadelphia was found to last almost four times as long among men between the ages of 40 and 44 as among those between the ages of 20 and 24. Yet it is precisely during the middle years of life that workers acquire the heaviest family responsibilities, and their lack of employment means both deprivation and added burdens for the young.

I might add that the burden of home ownership is the major burden of those responsibilities that fall so heavily in that period of life.

The New York Committee on Discrimination in Employment of the Middle Aged reported in March 1940:

The man over 40, the middle-aged man looking for a job, is not one man; he is several millions.

At the same time, the unemployment census of 1937 revealed that unemployment is most extensive in the age group of 20 to 24. This evidence, together with a large number of pay-roll reports studied, reveals that in many of our major industrial corporations the tenure of employment was confined to the age group between 25 and 40. Between the ages of 18 and 45, which generally can be conservatively taken to be the productive life span, this productive life span of the majority of the workers adds up to a total of 27 productive years. This life span is the prevailing one in the situations we have studied, but it actually is much shorter.

A wage earner who reached the age of 45 at the outbreak of this war had lived through not only the big depression but also two other depressions, all during his productive life span of 27 years. The length of time in which an average wage earner was without regular income due to depression unemployment, seasonal unemployment, illness, and other disability, amounts to approximately 40 percent of the total time. This means that during the productive life span of 27 years, the average wage earner was fully employed and had full wage income for only 16 years and was either totally unemployed or had only part-time employment in the aggregate of 11 years.

To put it in another way, the average annual income of the average wage earner during the entire life span of his productive work is normally 30 to 40 percent less than his income would have been had he been fully employed every week in the year and every year of his entire 27-year productive life span.

According to the Bureau of Labor Statistics of the United States Department of Labor, average annual per capita earnings of workers for a full-time year of 52 weeks, even in a nondepression year, 1939, would be:

In the chemical industry.....	\$1, 331
In the paper and allied products industry.....	1, 233
In the food and kindred products industries.....	1, 270
In the leather and leather products industry.....	995
In the entire textile industry.....	876

These figures, Mr. Chairman, are full-time annual earnings, assuming 52 weeks of work. In none of these industries did workers actually find employment for a consecutive, continuous 52 weeks.

These figures represent the full income of the average worker in several of our major basic industries, including all wage payments, with overtime and bonus. Actually, of course, the average worker in any of these industries did not earn even this income. In a normal peacetime year seasonal unemployment, temporary lay-offs or period in which he worked only part of the week would have meant up to 3 or 4 months without income.

In other words, the normal income expectation in this large and representative group of industrial wage earners would have ranged between \$600 and \$1,000 a year. Incomes were somewhat higher in some of the heavier industries, but if you even take those, and take the average wage earners in all manufacturing and project their incomes, the very incomes that anybody talks about when they talk about a 25-year mortgage for home ownership, if you project that over 25 years you find the average wage earner in the United States has not had an income over that period of 25 years averaging more than \$1,000.

These plain truths are at the root of this country's peacetime housing problem. They stand as warning marks of the limit of economic reality upon which a comprehensive housing program must be founded.

They plainly show the course we should follow. Those who are running away from these realities and who try to persuade the Congress and the public that a stable mass housing market can be created by merely cutting costs or by any other simple and single device are leading us out on dangerous, thin ice.

In our plans for post-war housing we must not be led away from the real issue, and that issue is adequate income for the average worker. Until and unless that issue is met, large-scale construction of good housing commensurate with the Nation's need cannot and will not be achieved.

In projecting any kind of comprehensive program for home building, developed by private enterprise and based on sound financing, we must first assure full employment, which means full employment not only for a short time, not for a period of a month, not even for the whole year, but full employment which gives the worker a full opportunity for the development of his skill and a full opportunity for the

development of his productive capacity and his income capacity over the period of his entire productive life span.

Senator ELLENDER. Have you the yearly income for carpenters, bricklayers, and electricians?

Mr. SHISHKIN. I do not have the figures with me. The annual incomes for construction workers are available. I did not intend to cover that ground because I expect the testimony on the part of the spokesman for the Department of Labor will cover that. The figures are compiled by the Department of Labor.

The annual incomes before the war in the building trades averaged considerably less than in our major heavy industries, including the automobile industry or the steel industry. The average annual income in building construction through 1939 ran on the average of less than \$1,200 a year. There are constant interruptions in building work. There is always the question of transferring from one job to another. There is always the problem—although it has diminished now and it differs widely in different sections of the country—of interruption of work due to seasonal conditions apart entirely from the conditions in the industry itself, which has always been sporadic.

Senator RADCLIFFE. Do these wage scales contemplate any period of unemployment? In fixing these wage scales, was it contemplated there would likely be a certain period of unemployment, and if so, do you think that is a sound method of operating?

Mr. SHISHKIN. As Mr. Bates said, the wage scales take into consideration the fact that there is a considerable amount of unemployment. This may be a good place to mention some of the implications of the problem that was raised with regard to the annual wage.

There has been a great deal of effort put forth toward stabilizing construction employment. The annual wage income, whether it is in the manufacturing industry or construction, or any other employment, has to be related to stable employment. There would have to be stabilization of work on an annual basis which would guarantee the annual wage. In the case of building, even in large-scale projects where attempts of that kind have been made, you will find there has to be a consecutive rotation of skills used in order to utilize labor most effectively and most economically. It would be possible theoretically to have 1,000 units of housing and have one crew continuously employed in building those units, so one crew of foundation diggers would go from one unit to another and build all the foundations, but you can see from that what waste it would be to have the other groups stand idle while one group was given full employment. There is no large-scale housing projects that could give full yearly employment to each group of skilled workers, unless they were supported either on a Government pay roll during the necessary idleness or had something else to do in between times.

As a matter of fact, whenever the economical builder needed to achieve a reduction in costs a premium has been underwritten by the builder to get the best available labor, to get the best skills so he could complete the building as rapidly as possible.

Senator TAFT. Is it not true that the labor cost per unit of most manufactured goods has tremendously decreased for the last 25 years, such as the manufacturing of automobiles, whereas the labor cost of housing has not decreased? That is the general impression. Is there any method by which the labor cost of a house can be decreased by technological improvement and organization?

Mr. SHISHKIN. I think, Senator, there has been a decrease in the labor share in the cost of home ownership, of home buying. The cost of home ownership cannot be divorced from costs other than the construction costs. If you take the final product into consideration, a lot of technological improvements have been achieved before and during the war, when one of the largest spurts in economical building was made. The economies that were achieved in the construction of the U. S. H. A. housing projects, of which there is a complete record over a short period of years, indicate that marked progress was made.

I feel sure that after the war, when our advances become known and translated into the operating experience of the industry, that a lot of these economies will come out and there will be a further reduction.

Senator TAFT. I notice Mr. Bates laid a good deal of emphasis on research, and so forth, as to everything except construction. All of the research projects that he proposed had to do with the marketing practices and various forms of study of housing planning, but he said nothing about research on material and labor costs.

Mr. SHISHKIN. Well, Senator, is it for the Government to decide on the types of materials to be used? If the Federal Government undertook, on its own initiative, to set up industrial research for building construction it would have to follow along with industrial research for airplane construction, automobile construction, and other industries.

Senator TAFT. It has already done it for airplanes.

Mr. SHISHKIN. It has done that as the result of the war.

Senator TAFT. No; the National Advisory Committee for Aeronautics started well before the war and has done an extraordinary job. Of course it has been developed greatly by the war.

Mr. SHISHKIN. But the automobile industry had made a pretty good automobile before the war.

Senator TAFT. Without Government aid, that is correct. They were pretty well organized. The difficulty with the housing industry is that the units are so small that no one person is able to set up the kind of laboratory that the manufacturers have.

Mr. SHISHKIN. I personally live near a housing project for 8,500 families. That is not a small unit.

Senator TAFT. They may come to that. I suppose that is an insurance company practice.

Mr. SHISHKIN. That is right.

Senator RADCLIFFE. I suppose prefabricated housing has resulted in some labor reductions. It just occurred to me that a prefabricated house might illustrate that reduction in some manner.

Mr. SHISHKIN. I would say that the question of cost in prefabrication has been discussed very widely and we have given it a great deal of thought and study. As you undoubtedly know our record, we have always supported all possible developments that can help in the reduction of cost, and there has been no labor opposition to any change due to these developments. There have been no strikes or stoppages because of the introduction of new methods of prefabrication, the record will show that.

At the same time, as Mr. Bates said, we have got to be realistic, and the realism necessary in connection with prefabrication is this: Prefabrication is based on economies in labor, saving of labor, that is, the use of labor, and other economies that might be possible due to mass production. The greatest misconception of prefabrication is

the idea that one huge plant can produce a million units. The prefabrication plant, in order to be able to achieve those economies, would have to attain that volume, and there is no possibility of that ever being done in home construction.

For example, a plant is established in the State of Vermont, let us say—actually we have had the experience with one in New Hampshire—but it finds that the only effective market it can serve is within a limited radius of perhaps 100 miles. Because of transportation costs and other difficulties, the only economical production, to compete with standard methods of construction, would be to produce a much higher volume than the market within that radius could afford.

Well, in Vermont, within a 100-mile radius, there is not an overwhelming demand for housing, and since the production is forced below capacity, the costs become high.

Senator RADCLIFFE. I suppose war conditions are responsible for some of that. Under normal times the transportation problem must be somewhat different.

Mr. SHISHKIN. That is pre-war experience.

Senator RADCLIFFE. That is pre-war experience?

Mr. SHISHKIN. Yes. I would say this: During the war the greatest possible use, with Government support and financing on more favorable terms than can ever be conceived in peacetime, was given to prefabrication.

As to the experience of the Government I would not like to testify directly. I would like the committee to question Mr. Emmerich, the former Commissioner of the Federal Public Housing Authority, who was responsible for that program, and Mr. Klutznick, who is administering it now.

It is the experience of the Government, under the highest degree of favorable financing and large-scale construction, that prefabrication up to this time has not been able to achieve the claims made for it. We have to recognize that around the country there is no place, except in the middle of the Rockies, where there is not a brickyard within a 50-mile radius, and that this existing industry has the productive capacity to serve usefully a major portion of the housing market. Technological progress has been made, but it cannot be made with a single dislocation of the existing productive resources.

Senator BUCK. Has the product itself been satisfactory, the prefabricated house?

Mr. SHISHKIN. Beg pardon?

Senator BUCK. The ones that have been built—have they been satisfactory?

Mr. SHISHKIN. My basis of experience is a little limited because I live in one. My personal experience has not been satisfactory. Maintenance costs are extremely high. Mr. C. F. Palmer, who was Defense Housing Coordinator here once, after a discussion of the problem with us had undertaken an experimental project at Indian Head, Md., near Washington, in which several hundred units were built experimentally by a wide range of prefabricators all over the country.

Senator TAFT. Was that one project? Are they all together?

Mr. SHISHKIN. They are all in one project.

Senator TAFT. It would be interesting to go down and look at it.

Mr. SHISHKIN. The claim was they could be built in a few weeks. It took a year and a half to build them. The claims on cost were never borne out, and there were unforeseen difficulties. A steel house presented a difficult problem of insulation. After you took care of the problem the cost went beyond the expected cost, so the reason for the existence of that steel house fell down. It is clear evidence of what has been attempted with the fullest Government cooperation, and it ought to be studied.

Senator RADCLIFFE. I assume the prefabricated house is still somewhat in the experimental stage. It may be, I don't know. I am not familiar with that situation. Experience may demonstrate methods of eliminating some of the difficulties to which you refer.

Mr. SHISHKIN. A great deal of progress has been made. The only really important thing to guard against in that is that there is always a temptation on the part of the prefabricator to cut on the cost in order to make a showing, at the expense of standards.

That is the reason why so much of the prefabrication has been substandard, shoddy and flimsy construction, without adequate soundproofing, heating insulation, and assurance of durability.

I do not want to take any more of the committee's time, except to cover two things. Mr. Bates has introduced an estimate of the housing need by our housing committee, and I would like to say a word on that, if I may.

The estimate covers a period of 10 years, between 1947 and 1956. It was assumed that the war would be over by 1946. We have revised our previous estimate and we find, in the main, that our previous approach has proved sound. We find that the total need for replacements in our cities and towns is 9.5 million dwelling units. These are all urban units. About 9,600,000 are needed for additional housing, to take care of the increased number of urban families, undoubling the doubled-up families, and so on.

Senator TAFT. That is about 50 percent more in each case than Mr. Blandford's proposal, is that correct?

Mr. SHISHKIN. Mr. Blandford's estimate is a little over 12 million.

Senator TAFT. Six million in each class, as I remember it.

Mr. SHISHKIN. That is right. This is an entirely different estimate. I must say, Mr. Chairman, that we take a very strong exception to Mr. Blandford's estimate because of the tremendously important implication of an estimate of this kind to future employment. Underemployment can result from under thinking.

Senator TAFT. I gather from Mr. Bates it would take 2 or 3 years to work up to this maximum. This 1,500,000 was a rather leveled-off figure. You thought you would probably take 2 or 3 years to get industry and everything else organized to do that, is that correct?

Mr. SHISHKIN. That is correct. Let me say this: In our estimate, we are presenting an estimate of physical need and only that. The N. H. A. staff apparently started with something like that and then got lost in the woods by mixing up the need with the demand, and also with programing. It is all in there. For example, you cannot have any accurate estimate of need by income classes for the next 10 or 15 years. It just cannot be done, except as a matter of wildest prophecy. So, what we are presenting here is the physical need, the sheer physical need.

The shortcomings of the estimate made by N. H. A. are particularly glaring with regard to filtering the buildings down from the higher

income group to the lower income group, as if it were a slow, steady process, filtering hand-me-down houses from one income bracket to the next. That is not the way it works. It works spasmodically, in terrific periodic dislocations when, during the period of liquidation, all these units fall down, not one step, but a whole flight of steps, into a very much lower category. That is not, of course, the way it should work and we should not plan for it.

No one should plan a housing program on a hand-me-down theory.

In the physical need the N. H. A. arrived at an underestimate through an oversight on their part. They lost sight completely of the basic consideration, the consideration that has been borne closely in mind by the best students of the problem in the country that have been giving it close attention, and that is, if you talk about taking care of the housing need, you cannot count one substandard unit in a slum neighborhood. Where there is a block of 40 houses and 30 of those houses are completely blighted, dilapidated, and create the worst possible fire trap slum without any facilities, the remaining 10 units cannot be left out of account as suitable for future use. If anything is to be done through any kind of an adequate housing program, all of the 40 houses would have to go.

If you take the census figure in 1940 of about 7,000,000 units that are substandard, that were substandard in 1940, and apply the principle that I have just suggested, you would have to add for the country as a whole, in all metropolitan areas and all urban areas, about another million units. That is substantially, in the technical approach to the physical need, to the replacement need, the basic deficiency of the N. H. A. estimate and we believe it to be very fundamental.

There are a number of other differences between the two estimates. The period of time is a little different. Of course the N. H. A. assumes that housing to replace slums ought to be built leisurely, that we ought to do it in 20 years. If we are to have full employment, if we are to have the steel industry and other supporting materials industries fully employed, we can set up a pace of 1,500,000 units a year, on the average in the 10 years after the war and keep it up after that. We should be able to bring up the volume of construction to 1,750,000 units a year in a period of 5 years after the war. The annual volume from then on would, of course, be fluctuating somewhat to account for fluctuations in activities in other industries.

I have a table here, Mr. Chairman, covering it in detail, with explanations of the detailed break-down of our estimate, which I would like to have inserted at the end of my testimony, if I may.

Senator TAFT. Surely.

Mr. SMISHKIN. There is only one other point that I would like to touch on briefly, and that is the question of over-all cost. As Mr. Bates pointed out, the major cost of home ownership is the cost of financing. In addition, it must be recognized, in reviewing the discussion presented here on the reductions in the cost of building, that the immediate prospect, cannot be divorced from the experience of the past.

The record shows, Mr. Chairman, that during the entire pre-war period the cost varied directly with the volume. That is, when there was a lot of building, when there was an increased demand, when there was increased prosperity when the retail sales increased and the national income was high the prices of building materials were also up

because the supply was not keeping up with demand. When there was a decline, building material prices went down, although they did not respond to it as promptly. But we are facing a period of a post-war boom. There is bound to be a price boom in building materials that will mean a cost increase for housing. We are not going to have reductions in the cost of housing unless measures are taken to accomplish two things: First, to tool up for the coming increase in housing construction, to make sure that we provide in advance stock piles of building materials to take care of the great demand, so that there is no shortage of supply. There will not be a shortage in the supply of labor, but there will be a shortage in the supply of materials.

Senator RADCLIFFE. Do you think we can do that in any way without restricting our war program at this time?

Mr. SHISHKIN. We can do a good deal during the interim between now and the end of the war. And, second, we should extend price control during the critical stage, during the period immediately following the war, so as to prevent a response of prices to this great pressure that is going to be upon us.

Senator TAFT. Would you continue both wage and price controls or only the price controls?

Mr. SHISHKIN. Senator, as far as wage controls are concerned, they may be put to only one effective use. We are likely to have, in the readjustment period, an oversupply of labor. If the industry is not able to use all those workers, the only possible use for wage control is to keep the wages from going down, because the downward pressure on wages is going to be very great.

Senator TAFT. There is a tremendous move now to raise wages to compensate for the decrease in take-home pay.

Mr. SHISHKIN. That is true. There has been a constant decrease of income for quite a long time now. We have had a downward cycle of income already. Unless we check that in some way we are going to get back to where we were in 1939, with an income level which cannot possibly support a post-war market.

Senator TAFT. Wages have gone up 25 and 30 percent.

Mr. SHISHKIN. In his report to Congress Mr. Justice Byrnes said 9.5 percent, and I do not think he is too conservative.

Senator TAFT. The wage rates have gone up about 50 percent from about 67 to 100 cents an hour.

Mr. SHISHKIN. The wage rates, that is, the actual rates of pay in manufacturing, according to the War Labor Board, went up 19.5 percent since January 1941. You are probably referring to the earnings.

Senator TAFT. No, no; I am referring to the wage rates. Wage rates have gone up more than 19 percent, I am sure, from the figures that were given to us. Of course, there are three figures to be taken into consideration there: The wage rate, average hourly earnings, and the take-home pay.

Mr. SHISHKIN. That is right.

Senator TAFT. The average hourly earnings have gone up 50 percent. Of course, that is partly due to overtime.

Mr. SHISHKIN. Since the 1st of January 1941?

Senator TAFT. Yes.

Mr. SHISHKIN. That is right, with overtime and upgrading, hourly earnings advanced 10 percent more than wage rates.

On the question that the Senator asked I want to introduce another table here which is very significant. It shows what has happened to the industry. A great deal has been said in this hearing about this great diversity and the great number of small enterprises in building construction. I would like to have this inserted also at the end of the testimony, showing what has happened to the contract construction business in terms of the number of firms operating in the industry during the war.

The number of firms, large and small, was reduced from 202,100 in 1939 to 158,100 in 1943, a decline of 85,700 firms, or a decline of 35 percent over a period of 4 years, as compared with a decline of only 15 percent in all industries and an increase of 1.2 percent in manufacturing.

Senator TAFT. Was that not because of the practically total elimination of the building of houses, except for the large-scale projects that were handled by large-scale contractors and the small contractors have had nothing whatever to do? Isn't that true?

Mr. SHISHKIN. Yes; but in 1934 the volume of war housing construction was quite sizable and a great deal of it can be accounted for by the growth of individual enterprises that operate on a large scale.

Senator TAFT. And of course many contractors are engaged in other things than housing. I would expect the moment you start a general housing program you would have a tremendous increase again in the number of contractors that would build few houses per contractor.

(The matter submitted by Mr. Shishkin is as follows:)

Housing need—Accumulated physical requirements for urban housing in the United States, 1940-56 (in millions of dwelling units)

(1) Substandard units, 1940 ¹ -----	8.2
(2) Units becoming substandard, 1940-56 ² -----	2.9
(3) Total substandard units accumulated by 1956-----	11.1
(4) Less substandard units suitable for rehabilitation ³ -----	1.9
(5) Total substandard units to be replaced-----	9.2
(6) Units destroyed by fire, flood and storm, 1940-56 ⁴ -----	.3
(7) Total replacement need-----	9.5
(8) Increase in number of urban families (including migration)-----	7.5
(9) Undoubling of doubled up families ⁵ -----	2.1
(10) Total need for additional housing-----	9.6
(11) Total need for replacement and addition, 1940-56-----	19.1
(12) Less wartime housing supply, 1940-46 ⁶ -----	3.5
(13) Total net need, 1947-56-----	15.6

NOTE.—The above estimate is a revision of the previous estimate of post-war housing need made by the housing committee of the American Federation of Labor in 1943. The present estimate assumes final victory in 1946.

¹ According to 1940 Housing Census, adjusted for coverage, there were 7.09 million substandard urban units (in need of major repairs or without private baths). In addition, 1.13 million substandard units are estimated to be located in areas of concentrated slum and blight or in predominantly substandard blocks in areas of less deterioration. Of the total of 8.22 million units which were substandard in 1940, 1.08 million units may be rehabilitated before 1957 and 7.04 million must be completely replaced.

² Adjusted to eliminate duplication of units accounted for in line (1). Of the 2.91 million units becoming substandard in 1940-56, 830,000 may be rehabilitated before 1957, and 2.08 units must be replaced.

³ 1.08 million of the units substandard in 1940 and 830,000 of the units becoming substandard by 1956.

⁴ The best estimates, based on actuarial experience, indicate loss of about 840,000 urban units due to these causes in the period considered. We assume, however, that two-thirds of the units so destroyed will be substandard units, already accounted for. The remaining 280,000 units represent an additional replacement need.

⁵ Including families of returning servicemen.

⁶ Estimated number of units added, 1940 through 1946, excluding temporary units. The figure includes estimated 750,000 units of interim housing to be built in 1946.

Estimated number of all operating business firms in contract construction compared with manufacturing and all industries in 1939 and 1943

	1939	1943	Number	Net change, 1941-43, ¹ percent decrease (-) or increase (+) since 1941
All industries	3, 316, 700	2, 861, 600	-536, 400	-15.8
Manufacturing	214, 200	228, 600	+2, 800	+1.2
Contract construction	202, 100	158, 100	-85, 700	-35.2

¹ 1941 was the peak year for the total number of operating businesses.

Source: U. S. Department of Commerce.

Senator TAFT. Unless there are further questions, the committee will recess until 2:30.

(Whereupon, at 12:25 p. m., a recess was taken until 2:30 p. m. of the same day.)

AFTERNOON SESSION

(The subcommittee reconvened at 2:30 p. m., pursuant to recess.)

Senator TAFT. The committee will come to order.

Mrs. Rosenman, please.

STATEMENT OF MRS. DOROTHY ROSENMAN, CHAIRMAN, NATIONAL COMMITTEE ON HOUSING, INC., NEW YORK, N. Y.

Mrs. ROSENMAN. Senator, are you interested in having on file a copy of the members of the board of directors of the National Committee on Housing?

Senator TAFT. I think it would be very useful. You have a very good list, I remember.

Mrs. ROSENMAN. Thank you. I think it shows the complexion of the group, and the widespread interest that it has.

(The list of officers and board of directors of the National Committee on Housing, Inc., will be found on file with the subcommittee.)

Mrs. ROSENMAN. The inquiries which this committee on housing and urban redevelopment has undertaken divide themselves into two categories. The one is concerned with the mechanism by which an over-all housing policy which encompasses the housing needs of all income levels may be administered. The other is concerned with the policy itself, and the instruments which will aid this Nation to attain a high goal of well-conceived homes, a sound building economy, and maximum employment in construction industries.

Although the second subject is more stirring to the imagination, it is second in importance at this time, because the best of plans may very well bog down if they are not well integrated and if they cannot be administered within a suitable framework. It is wise to set that framework. It is of primary importance to make certain that those functions of a government related to housing are properly coordinated and that the machinery is ready to function in an efficient manner when peace reaches this land.

The National Committee on Housing, Inc., is particularly qualified to testify to the need of one well-coordinated housing agency, for

the National Committee on Housing came into being in 1941 because its incorporators believed that the Balkan-like attitude of the various interests concerned with housing was thwarting progress. From its inception, its general membership, the members of its board of directors and of its staff, have come from the crossroads of housing viewpoints. Its gamut of interest has reached those who now live in slums and must be rehoused, those of medium income who have difficulty in providing the kind of homes they wish for the money they can afford to spend, and those who have full purchasing power but are handicapped by obsolete community conditions over which their individual purchasing power has no direct control. We believe that the housing problems of all of these income levels have a common denominator of mutual interest, and that no one of them is untouched by the problems which ensnare the other.

When there were 16 separate Federal agencies concerned with housing, each tried to rope off one or more segments of interest, and each treated those segments as separate entities. Now, any layman knows that a good doctor relates the cure of a specific ailment to the general condition of the patient, and that a good doctor considers the proper functioning of all of the human organs when he prescribes a cure. When there are serious afflictions which are not his specialty, he consults with specialists in related fields.

When there were 16 separate Federal agencies concerned with housing, there was very little consultation, but there was a great deal of duplication, and there was a great deal of back-fence bickering of a very unpleasant nature.

The sixteen separate agencies were not equipped to tackle the great war housing job. They consumed much energy, which should have been directed to constructive action, in treading upon each other's toes. Therefore, at the first public meeting of the National Committee on Housing, Inc., then named the National Committee on the Housing Emergency, Inc., in June 1941, it recommended the coordination of Federal housing programs. The printed recommendations set forth at that conference state:

COORDINATION OF FEDERAL HOUSING PROGRAMS

While some progress has been made toward correlation of the activities of the various housing agencies of the Federal Government, much confusion still exists. The committee believes that more than incidental adjustments are required and that, without abandoning or weakening existing machinery or methods for coordination or in any way minimizing the value of the progress already made, an examination should be made of the operations of and the relationships among all the Federal agencies which have any responsibility for the planning, provision or financing of housing, looking toward whatever action may be necessary to bring about fully effective coordination and to assure proper correlation between planning and execution.

The National Committee on the Housing Emergency recommends to the President that such an examination be made.

Since February 1942, we have had a National Housing Agency with three constituent units. No one can deny the fact that efficiency increased, bickering decreased, and there has been a wholesome interchange of ideas and a dovetailing of responsibilities. At most times the spirit of the Three Musketeers has been very apparent. In recent months that spirit has flickered from time to time. In my opinion it has flickered only because the war's end seemed to draw

near, there was uncertainty about the continuance of the National Housing Agency, and people with particular axes on their shoulders were turning a knife here and there in an attempt to incite hard feelings. Uncertainty about the future tends to create unrest.

The National Committee on Housing, Inc., believes that it would be sheer folly to try to meet the very difficult problems which will be presented in the years following the war, without the aid of a National Housing Agency with constituent agencies geared to face all needs.

What are those problems?

Senator TAFT. Mrs. Rosenman, to go back to your first point, this morning there was a suggestion that this agency should be headed by a board of five. Has your organization any views as between a board and an individual administrator?

Mrs. ROSENMAN. I would rather make a personal statement on that, Senator, because we haven't considered it since 1941, when that consideration was made and rejected at that time.

The feeling, as I remember it, was—and my feeling at present is—that a board is a very difficult administrative agency for administrative functioning; that it is good as an advisory organization, but it hasn't proven, either locally or federally, effective from an administrative viewpoint.

If you look back, they used to have boards of police, and boards of education, and boards of water supply, in many of our local communities; and the tendency of government, the trend of government, has for a great many years been away from boards and toward administrative agencies with one administrator and constituents working with him.

Senator ELLENDER. What if the board would outline the policy, and let the Administrator carry that policy out? Would that make any difference?

Mrs. ROSENMAN. I think a consulting advisory board is often very effective, but for administrative purposes I don't think it should be in charge. I think its function should be purely that of channeling in information and points of view.

Senator TAFT. It is true that when you have a permanent board, on a full-time basis, it is very hard to keep them from attempting to do the administration.

Mrs. ROSENMAN. Yes; and it is very difficult to get any consensus of opinion and focus responsibility when you have a board.

Senator TAFT. In theory, I think it is all right to have them determine policy, but in practice they never stop at policy. They go ahead and try to run the show.

Senator ELLENDER. And they end up by vying, one against the other, for power.

Mrs. ROSENMAN. Yes; and you see, if you don't have power and you are in a quasi-administrative position, you do end up by bickering, because you don't have the thing you are supposed to have.

The first problem is the age-old one of finding a means of supplying adequate homes to income levels which have not in years gone by been able to purchase or rent homes of acceptable standards. This problem is equally challenging to those who make a business of manufacturing construction materials, to those who make a business of selling land, to those who make a business of building homes, to those who make a business of lending mortgage money, and to those who

are socially and civically aroused by the conditions under which millions of citizens of a prosperous democracy must live.

National statistics on this situation are well known. They cover so much territory that they become impersonal. But when you take any one city and analyze its pre-war incomes, its pre-war housing conditions, and its pre-war building production, you can glean a more intimate knowledge of the many gaps which must be filled if living conditions are to be bettered after the war.

For instance, let us make an analysis of the pre-war need for new homes in the St. Louis metropolitan area and then balance the need against the community's ability to purchase them. Such an analysis will reveal two startling facts: First, that in 1939 only 9 percent of the families of the St. Louis metropolitan area could afford the comparatively moderate luxury of a \$6,000 house if they lived on their wages and salaries without help from other sources. Second, that there was a shocking lack of new-house construction for people in the lower income brackets. The people who needed houses most were not being supplied.

A definite relationship exists between a person's income and the house he can afford. Generally speaking, a family can afford to live in a house costing twice the annual family earnings. Thus a family with an annual income of \$2,500 should be able to buy or rent a \$5,000 house. A family with an annual income of \$1,750 should be able to afford a \$3,500 house. What were the income figures for St. Louis in 1939?

The Census Bureau reports that, of the 384,360 families in the St. Louis metropolitan area, 106,460 received less than \$500 in 1939 in wages and salaries. Of these, 71,160 received no wage or salary. Obviously, without aid from outside income, none of these 106,460 could afford to pay even \$2,800, the cost of the lowest-priced house built to meet Federal Housing Administration requirements in that area. Lack of data on amount of outside income makes it impossible to break down this figure to show the exact numbers of families unable to afford a \$2,800 home.

Next, 60,180 families earned between \$500 and \$999 in the St. Louis metropolitan area in 1939. Unless they had outside income they also fell short of the \$1,400 income which could afford the minimum \$2,800 home.

Next, 66,180 families earned between \$1,000 and \$1,499 in St. Louis in 1939. They touched the threshold of the \$2,800 home.

Just a few more of these figures.

Next, 54,040 families earned between \$1,500 and \$1,999. Many of them could cross the threshold of the \$4,000 home.

Next, 56,240 families earned between \$2,000 and \$2,999. Most of them could afford homes costing from \$4,000 to \$6,000.

Finally, 35,200 families earned over \$3,000. For them life has no housing problem except the problem shared by all citizens of obsolete urban communities who live amid the shambles and archaic street patterns of yesteryears.

While the population of the St. Louis area was earning these low incomes, what were the builders building? They, under the stern necessity of building for profit, were confining their attention to customers in comfortable income brackets. The figures in the annual report of the Federal Housing Administration for the year 1939 show

that of the new homes built in 1939, 87 percent cost \$4,000 and over. The simple figures show that more than 200,000 families had to scramble for the remaining 13 percent of the new low-cost construction. Those who could not find new houses were forced to flow back into or remain in the old homes—including the 142,129 substandard homes festering the St. Louis terrain.

Senator TAFT. Is it supposed to be worse than others, or average?

Mrs. ROSENMAN. No; I think it is average.

Senator TAFT. It is a little older city.

Mrs. ROSENMAN. It is one of the older cities.

Senator TAFT. It is a little worse, probably.

Mrs. ROSENMAN. I will say this much, that in the depression years, I think it suffered a little more heavily from a lack of interest than some of the areas, but it is a good cross-section city.

Senator TAFT. Can we get away from your first assumption that you can only buy a house equal to twice your annual income?

Mrs. ROSENMAN. I don't think so. There are some people who claim that you can buy a house equal to $2\frac{1}{2}$ times your annual income—

Senator TAFT. If you paid 20 percent for rent, it would mean that you have to pay one-tenth of the value of the house every year for rent. A family with \$2,500 could afford, by every standard, to pay \$500 for rent, apparently—20 percent—and I should think for \$500, with the F. H. A. and financing, that you could buy better than a \$5,000 house. I don't know, I am just asking.

Mrs. ROSENMAN. I don't think so. But I would rather you ask the F. H. A. that.

Senator TAFT. Can't you pay a little more than 20 percent in the lower-income groups? They do pay more.

Mrs. ROSENMAN. They do pay more, but it is very hard, because when you think of the lower-income groups they usually have the larger families, and when you think of clothing and food and the rest of the things, where they do pay more you find they are suffering, and their medical bills go up.

You find in some of the studies that have been made in England that where families were paying more rent than they should, proportionately, the families were suffering in other respects, and you found health problems and clothing problems. We found in some of the public housing projects, also, where they were taking in families who were on relief, and they didn't have a sufficient amount of money to cover the rent, and the whole thing, that there were malnutrition problems which were pretty bad.

Senator TAFT. What percentage do the public housing authorities rest on?

Mrs. ROSENMAN. I think their figure would rest on one-fifth of your income.

Senator TAFT. My impression is that it went up as the salary went down, they took a little more than a fifth.

Mrs. ROSENMAN. Well, I think they did because of the fact that the families couldn't find anything else—

Senator TAFT. No; but I mean I thought they were willing, in the \$1,000 family, to take up to \$240, or something of the sort, for rent. I am not sure.

Mrs. ROSENMAN. I am not sure of that.

Senator TAFT. Of course, it makes quite a difference. If you can pay 24 percent instead of 20, and if you can multiply that by 12 instead of 10, it upsets your figure, your whole figure basis.

It would be bad enough anyway, I don't think you have to prove it, but I wondered about the soundness of the basic argument.

Mrs. ROSENMAN. Well, the two times your income figure is the one commonly used, but I think that the Home Loan Bank Board folks, some of them, feel that you could go as high as $2\frac{1}{2}$ times your income.

Senator TAFT. But it is based on another figure, it is based on what percentage of your income you can pay, and what percent you have to pay to be an economic rent on a house costing a certain number of dollars. Those are the two figures that produce this other rough equation that you are talking about.

Mrs. ROSENMAN. Well, I suppose that economists have also figured the usual expenditures of families as they are apportioned in those income groups, as they go along. I don't know the basis of the figures. I know merely that that one is most commonly accepted.

Senator TAFT. We seem to have some figures here showing 25 percent as the average expenditure for rent. It is probably too high.

Mrs. ROSENMAN. That is quite different. That is particularly true in the lower-income levels. But there is the difference there between what is the prevalent custom because of necessity, and what is the ideal situation.

If St. Louis were the only sore spot, it could be treated with local medicine. But the maladies that beset housing in the St. Louis metropolitan area are typical of those from which every American community suffers. Restated briefly, these maladies are: Income insufficient to buy or rent adequate houses, and failure of the builder to provide homes for the greatest potential market.

There is hope that after the war, more adequate wages and lower housing costs will ease this situation. Those hopes are dashed by the present rise in housing costs.

There is no one solution to this first problem. It must be faced on many fronts.

The private builder must be encouraged to build quantities of adequate low-cost housing to reach ever lower costs. He must be aided through the development of new and improved construction materials, equipment, and methods. The National Committee on Housing recommends in principle the establishment of a Federal program of research and study as a service to the home-building industry and the home purchases in order to encourage private research and to supplement private research by providing for the study of those things which private industry does not undertake.

Senator TAFT. Would you put that in the Housing Administration?

Mrs. ROSENMAN. Yes.

The private builder must also be aided by any sound financial innovations which may from time to time be devised. However, great care must be exercised to guard against well-packaged ideas which may raise the quantity of building but which may sow the seeds for future financial and social headaches. In making new policies, it must be remembered that there will be fluctuating business cycles in this country.

The National Committee on Housing believes that a substantial number of families may be served by:

(a) Large-scale housing operations by banks, insurance companies, and other institutional investors, acting either singly or in groups. These operations would be undertaken on an investment rather than on a speculative basis, with funds made available at low rates of interest.

(b) Limited dividend housing companies enjoying the benefits of power of eminent domain and partial tax exemption and subject to the supervision of appropriate official agencies.

(c) Housing constructed and managed on a cooperative or mutual ownership basis.

A large number of families could be reached if the period of amortizing the mortgage were to be extended over a somewhat longer period than is customary. However, the problem here is to provide safeguards that will insure adequate maintenance of the property throughout the life of the mortgage.

Those at the very bottom rungs of the income scale cannot be reached by any type of sound construction financed by any of these methods, or by any other method suggested to date, which does not entail subsidy. The National Committee on Housing finds that publicly financed housing is necessary for this group.

There are suggestions that Federal subsidy be given directly to tenants of low income as rent relief or directly to limited dividend private housing corporations, instead of to local housing authorities who own and manage the houses built under the present public housing program.

Thousands of tenants, victims of the unbridged chasm between housing production costs and wage scales, would be revolted at the idea of applying for rent relief. There is a great difference between renting a house or an apartment known to have a public subsidy and taking a rent relief check to hand over to the landlord. One is in the class of farm aid, which carries no stigma because the cause behind the need has been recognized as being beyond the farmer's individual responsibility. The other—in normal times—is in the class of a gratuity to those whom society considers weak or shiftless.

Moreover, this type of housing program would be very expensive. Every single family with wages insufficient to buy or rent a sound home would ipso facto be a legitimate client of a relief agency. The staffs of the relief agencies would have to swell the minute the system was put into effect, and the governmental budget for rent relief would reach astronomical figures, for there is no gradual evolution here. Each low-wage family would instantly be entitled to a rent-relief check and become a potential customer for a better home. There are not enough better homes ready for this large market with rent-relief checks in hand. The demand would be far in excess of the supply, and it is not illogical to anticipate a renewed need for rent-control laws. The rent-relief suggestion is impractical socially, financially, and from the standpoint of the creation of an orderly market.

Subsidy given directly to limited dividend private housing would not meet with the same objections which face rent relief. But there are others. To achieve rents comparable to those in publicly administered houses, the yearly subsidies must be greater; the cost to the taxpayer would be greater. Administrative difficulties would mount

and administrative expenses would continue. Public subsidies cannot be handed over to private corporations without public supervision.

Senator TAFT. Why would the cost to the taxpayer be greater?

Mrs. ROSENMAN. Because you would have to pay for the profit which the limited dividend company would make——

Senator TAFT. No; you would just pay them a return on the money investment, just as you do the public housing.

Mrs. ROSENMAN. The cost would be greater to the taxpayer—oh, I see; I am answering a different question. The cost would be greater to the taxpayer in that the administration, I think, would be more difficult.

Senator TAFT. I don't quite see why.

Senator ELLENDER. On the other hand, on the question of the amount of return on the investment, the Government is borrowing money at 2 percent; whereas, the expected return to a private investor is from 4½ to 5 percent.

Mrs. ROSENMAN. Now you are bringing in another factor. If you are going to get your limited dividend money from the Government, then you are going to get it at a cheaper rate of interest, but if you are going to get your money from your private financial organization, you are going to get the same rate of interest or a slightly lower rate of interest.

Now, the point I was trying to make first was that the tenant will have to make more, because he will have to pay what he would pay the publicly administered housing, plus the profit of whatever percentage the corporation would make.

Senator TAFT. Oh, no; because he has got to pay, in his rent, anyway, the return on 100 percent financing by bonds. The only difference, as I see it, is that the Government gets its money at 2 percent instead of the limited dividend corporation, which might get it at 5.

On the other hand, by getting its money at 2 percent, it costs the taxpayer something, because the bonds are tax-exempt. So it costs the taxpayer some other way instead of a direct way.

Mrs. ROSENMAN. I didn't think that the private individual was going to get the money from the Government. Then the Government would be going into the banking business.

Senator TAFT. However, it may not be possible.

Mrs. ROSENMAN. The other point I wanted to make was that the amount of supervision which would be required to make certain that families of appropriate income were being housed, and that the selection of tenants would be made upon a fair basis, would be irksome to private entrepreneurs, particularly since their income is to be restricted, and restricted income has not proven a particularly popular device with the builders of this country. I think that is the crux of the difficulty, that we have never been able to stimulate investment building among builders in this country.

As you know, in Pittsburgh we had one such project, and to my knowledge there has never been another. In New York State, in 1926 we felt that we would get a great deal of housing by encouraging a limited dividend corporation, and in those 19 years I think we have had 11 projects.

Senator TAFT. On the other hand, the whole rental housing efforts have been rather futile. The trouble, to a certain extent, is with that, rather than the subsidy question.

Mrs. ROSENMAN. That is right; I am not discouraging investment housing, I would very much like to encourage it, and I would hope that this committee would lay particular stress on it, because we do need it, and we do need a great deal of rental housing, built for investment.

But I am going to say that I do not think you will be able to encourage investment housing when you have an additional hurdle to overcome, and that is when you are going to attach subsidy to it you are going to attach more public supervision, and we first have to wheedle and coax investment money into the housing field before we can think of giving them more hurdles to overcome.

Senator TAFT. On the other hand, you might be able to avoid vacancies to a larger extent, because you have a much greater class of people to whom you can rent your apartments. So possibly it might be more attractive in that way.

Mrs. ROSENMAN. That has been true of every limited dividend project that I know of. There is always a waiting list on them. They are very attractive, but you don't find money going into them.

I have but touched upon the highlights of the first post-war problem which is concerned with finding a means of supplying adequate homes to income levels which have not been able to purchase or rent homes of acceptable standards. It is apparent that those who are charged with the responsibility of the investments in home ownership and rental housing have a definite interest in this subject, and that those who are charged with the responsibility of encouraging such investments have a definite interest in this subject, and that those who administer public moneys for loans and grants have a definite interest in this subject. The approaches to solution must be devised in harmony and must be carried out with cooperation between the agencies.

The second problem is not age-old. It is war-born. It is concerned with the post-war provisions of homes for millions of people who cannot for a while be certain of the location of their occupation and therefore cannot be certain of their permanence in a specific locality. Estimates of the number of people who have left their own locality to work or to accompany the members of their family to work in other localities, vary from 6½ million to 15 million people. Over 11 million men entered the armed services. Women, too, entered the armed services. This means that there has been a tremendous upheaval of population. It will not fit itself into place again without struggle.

For some years after the war, this country is bound to have great migrations of its people. The war worker and the member of the armed forces will have to find his niche in peacetime industry, which will be adjusting itself for some years after the war to a peacetime economy, to the changes which will take place through technological developments, and to the changes which will take place in world commerce and in the commerce between the various regions of this country.

In increasing the supply of homes during that period, the production of rental as well as sale housing must be encouraged so that those who are not certain of their employment future may not be compelled to buy. New suggestions for transfer of equities from a home

in the old place of employment to the home in the new place of employment should be explored. This conception is basically sound, but for execution it requires financing mechanisms which we do not have today. A sound plan equitable to the small home owner, to the financing institution, and to large-scale developers who would have interests in many sections of the country, would be desirable if it can be attained. It would also be desirable to develop the techniques of rental with an option to purchase.

In this immediate post-war period—and, in fact, in all periods—it would be desirable to have the National Housing Agency supply to localities national and local data bearing on housing needs and trends, and to have the National Housing Agency make available, on request by localities, such technical assistance as they may require in the preparation of market data and analyses.

The third problem which must be faced is the quality of the homes. There are two forces which are readying themselves to drag down the quality of houses to be built for families of medium and lower income.

The first of those forces is the increasing cost of the house. Roy Wenzlick & Co., which has kept track of the cost of building a standard 6-room house in 75 cities, reports a median cost increase of 30.5 percent since 1939. The builder will naturally try to meet the market of low-cost demand by lopping off parts of the house, thereby producing less of a house and a house of inferior construction quality.

The second of those forces is the presence of billions of dollars of savings in the vaults of financial institutions. Those dollars look for investment. The institutions which hold these dollars may compete with each other for outlets. In the competition for mortgages, some of them may not inquire too carefully about the standards of the houses upon which they take mortgages.

These two forces are aided and abetted in many localities by a lack of local regulations which would prohibit substandard construction.

Localities should be encouraged to make regulations which prohibit shoddy construction and financial institutions should be discouraged from making loans on shoddy construction. State and Federal supervisory agencies should stimulate increasingly higher standards of appraisal practices, home building, and site and subdivision planning for the benefit of the mortgage lending institutions, the community, and the home purchaser.

The fourth problem is one of encouraging home maintenance so that future blight may be avoided. This subject has particular significance at this time when the difficulties accruing from past failure to maintain property cause so much consternation. The home owners of this Nation must be made aware of the dangers of failure to maintain property; the communities must be made aware of the problems they face by failure to require maintenance; the financial institutions must be made aware of the dangers they face by failure to require maintenance.

Maintenance must not, however, be confused with rehabilitation. Maintenance keeps pace with destruction, while rehabilitation is applied to those dwellings which have fallen behind in maintenance and where destruction is perceptible. Where maintenance has been too long delayed and the structure is too far outmoded in equipment and sanitary provisions, the expense of rehabilitation is often unwarranted.

Money spent upon spotty rehabilitation—rehabilitation in neighborhoods where the majority of buildings are run-down—is usually money wasted, because the quality of the neighboring homes drags the rehabilitated property down.

The whole question of rehabilitation requires the collection of a mass of factual data before a gage of value may be placed upon it—before anyone can talk authoritatively upon the number of adequate dwellings which may be acquired through it at a price which would meet public acceptance.

Senator TAFT. I remember where, under a street railway mortgage, every 5 years, I think, the trustee was required to inspect the property and determine whether the maintenance had been kept up. You might introduce such a clause into every housing mortgage, I suppose, to require an inspection at certain specified intervals, and require that the maintenance be kept up.

Mrs. ROSENMAN. Some such principle may be used. The custom of banking institutions, until the present—and when I say the “present” I am using the recent years—was never to go near the property, and never inquire as to the state of repairs of those properties, and it wasn’t until the depression years, or until some such thing as a migration of people came along, and they found all the properties were coming back on their hands, that they began to worry about the maintenance features.

Also, in development, I think there are greater opportunities in subdivision developments for restrictive covenants and for maintenance corporations to be organized at that time.

The fifth problem is that of urban redevelopment. While that problem entails more than rebuilding homes, it must be linked to housing considerations because the predominant interest is a housing interest. Any Federal or State legislation to provide aid for the acquisition of deteriorated areas should include definite provision for the adequate rehousing of displaced families. But the redevelopment of substandard urban areas must not be confused with a separate and distinct problem—the housing of families of low income. Many of the families who live in substandard areas have incomes which exceed the top limit set by local housing authorities. Many of the slums already cleared have sent families scurrying through their city in search of something adequate supplied by private enterprise. Any large redevelopment program carried out throughout this country would displace millions of families who should be served by private enterprise.

Mixed in with most slum dwellings are little stores, warehouses, small lofts and factories, commercial buildings of many varieties. All of these must go; but perhaps they may find a place in the redevelopment plan. Some of the old neighborhoods may be more suitable for commercial or industrial purposes. Some industrial or commercial slums—and most of them have housing scattered among them—may be more suitable for residential purposes.

There is need of a mechanism for clearing slums and redeveloping their sites. That mechanism involves the assembling of land by corporations or municipal agencies, by purchase, and by condemnation proceedings; the clearance of the areas; the replanning of the areas in conformity with a master plan for the municipality or region; the

setting aside of land for streets, parks, schools, and other public purposes; and the redevelopment of the remainder for its most economic and social use—be it industrial, commercial or high- or low-rent housing—in accordance with the redevelopment plan. That mechanism will require financial implementation.

The National Committee on Housing recognizes that one of the greatest obstacles in the path of executing redevelopment plans is the fact that in many cases the cost of acquiring the land and existing improvements will exceed the value of the land for redevelopment purposes after it is cleared, or the amount that would be received from the sale or lease of the land for such purposes. Some formula must be evolved to pay the difference between the cost of acquiring the land and the value for redevelopment. I cannot at this time give you the definite recommendations of the National Committee on Housing in respect to the method of meeting this difference. We are making some cost studies which should be helpful in making our determinations. We would like the privilege of submitting them to you when they are finished. I am hopeful that you will find them of value.

There is a sixth major problem—that of rural housing. Unfortunately, we are not prepared at this time with an analysis of its requirements. That is not because we find the problem less pressing, but because we find that there has not yet been sufficient consideration of the subject. We urge that consideration. We will send this committee any data which we develop on the subject.

We are encouraged by the knowledge that you will give these problems your earnest consideration, and that you will make recommendations to Congress regarding them and regarding the nature of the permanent Federal administrative organization of the housing agencies.

Senator TAFT. Are there any questions of Mrs. Rosenman?

Senator BUCK. Does your committee derive any support from the National Government?

Mrs. ROSENMAN. No; not at all.

Senator BUCK. It is all privately subscribed?

Mrs. ROSENMAN. Yes.

Senator BUCK. The word "National" misled me.

Mrs. ROSENMAN. I am afraid that is misleading. We had a lot of trouble with the name. Every one of them had some difficulty, but we had that name before the National Housing Agency did.

Senator TAFT. Do you have local bodies, local committees in different places?

Mrs. ROSENMAN. No. We have people on our board, and as members of our committee, from most every State of the Union, but we do not have any local groups who are constituent parts of our group. We operate through our field staff in various parts of the country as the needs may arise.

Senator TAFT. Have you some completed studies?

Mrs. ROSENMAN. Of individual localities?

Senator TAFT. Yes.

Mrs. ROSENMAN. We haven't any completed study. We have a study that is in process, in the Buffalo area.

Senator TAFT. We would be glad to have you furnish the committee with anything you have, when you have any studies to submit.

Mrs. ROSENMAN. Yes.

With the committee for Kentucky, we are cooperating in an analysis of the State of Kentucky's housing problem.

Senator TAFT. Rural housing?

Mrs. ROSENMAN. Rural and urban.

Senator ELLENDER. What is the membership of the committee?

Mrs. ROSENMAN. About 1,000.

Senator ELLENDER. Of individuals?

Mrs. ROSENMAN. Some corporations and some individuals.

Senator ELLENDER. How do you maintain your organization?

Mrs. ROSENMAN. Through private subscription and through membership.

Senator ELLENDER. From your members?

Mrs. ROSENMAN. Yes.

Senator TAFT. Are there any other questions?

Thank you very much, Mrs. Rosenman.

Do you want to make a statement before we call another witness, Senator?

Senator WAGNER. Yes.

Mr. Chairman and gentlemen, I want to insert in the record something that is concerned with a statement I inserted on January 9.

The recent testimony from the housing officials showed that slums create evil conditions, and that housing provides employment. I myself, and other Senators interested in housing legislation, have been saying that for many years.

Mr. Fahey and Mr. Ferguson reviewed here last week the program that the Banking and Currency Committee has been reviewing periodically for many years.

Until the housing people have specific legislation to present, I am doubtful whether further general talking will produce much action. I am deeply concerned about housing legislation, of course. I sponsored the public-housing law, and also the law to permit the same agency to do war housing. I also sponsored much of the other housing legislation.

There is need for more housing legislation, of course, but until there are specific legislative proposals, this hearing is just an investigation. I don't think housing needs any more investigation, I think it needs action.

Whenever the housing officials may be ready with specific legislative ideas, I would suggest that these ideals be taken up with the chairman of the legislative committees that handle housing, first of all, and with the staffs designated by them and reporting to them. That is the usual way of agencies to go about getting consideration for their legislation.

As I said before, the Banking and Currency Committee and the Education and Labor Committee deal with housing legislation under the present organization of the Senate. The Post-War Committee is not authorized to deal with the permanent housing program of the Government, aside from those relating to the transition from war to peace, any more than the Post-War Committee has jurisdiction over social security or banking or agriculture, or any other activity that existed before the war and will continue after the war, of course.

I am glad that these hearings are demonstrating the interest in housing, but I urge that as rapidly as possible the housing people put together their legislative ideas, get in touch with the legislative

committees, and discuss these ideas with them. Only by legislation can we get ready for the future.

Thank you very much, Mr. Chairman.

Senator TAFT. Mr. R. J. Thomas, chairman of the C. I. O., housing committee.

STATEMENT OF R. J. THOMAS, PRESIDENT, UNITED AUTOMOBILE, AIRCRAFT, AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (CONGRESS OF INDUSTRIAL ORGANIZATIONS); CHAIRMAN, CONGRESS OF INDUSTRIAL ORGANIZATIONS HOUSING COMMITTEE

Mr. THOMAS. Mr. Chairman, I am appearing before you today as chairman of the housing committee of the Congress of Industrial Organizations, and as president of the United Automobile, Aircraft, Agricultural Implement Workers of America, C. I. O. I am happy for the opportunity to express the views of the C. I. O. and my organization on those matters relating to post-war housing which your committee is investigating.

The Congress of Industrial Organizations, representing 6,000,000 workers from the basic industries of our country, and approximately 2,000,000 members now serving in the armed forces, at its last convention in Chicago, reaffirmed again our strong conviction that a post-war economy of full production and full employment can and must be attained in post-war America. Further, as a result of the mandate of November 7, our entire country is now dedicated to a post-war goal based on 60,000,000 jobs and an expanding economy.

It is generally recognized that housing and community development must play a major role in achieving this objective of full employment. An economy of abundance means increased production of the essentials of modern-day living, and full employment follows from such an economy. In fact, no over-all plan for full employment is complete or even possible without the inclusion of a large-scale housing and community development program, based on continuous operation of the building industry.

During the war period we have come more and more to realize that the living environment of large masses of our people has become increasingly bad. The need for better houses and better living environment is such as to present a tremendous potential market demand. Even by pre-war standards of minimum livability, the very conservative figure submitted by the National Housing Agency before your committee last week showed a need of over 16,000,000 units, including 7,000,000 that were already substandard in 1940, those which will become substandard in the next decade, and those that will be required to meet the need of additional families, particularly those established by returning servicemen. This is a big job, and one that must be done by a comprehensive program. It means using every resource in this field to accomplish it—small builders, large builders, contractors of all kinds, public housing agencies, planning commissions, all trades and skills, capital, labor, and Government.

I would like at this point to comment briefly on the picture of post-war housing need as presented by the National Housing Agency.

Their estimates were made on the basis of pre-war standards of minimum livability. Further, they are based on a national income which, while acceptable to some segments of industry, are considerably lower than the present high level of income, and in our opinion will be inadequate to provide the 60,000,000 job goal. The N. H. A., I presume, does not feel it is within its province to discuss the advisability of full employment. I understand they—the N. H. A.—stated that “some people may even debate whether we ought to try to get relatively full employment after the war.”

Now, as to the debate on whether or not we ought to even try to get relatively full employment after the war. In the light of our tremendous productive capacity and future potential, there can be only one reason to even debate the need for full production. Certainly there are some people in our Nation who want a large surplus labor force in order to keep wages depressed through a large reservoir of workers seeking jobs. However, no enlightened businessman can possibly want or accept such a dangerous prospect for post-war America. Our tremendous productive capacity is probably the most important single factor for the future of our country in all of our history. For the first time it is so great that we are able to set a goal of decent jobs for all of our people and to look forward to a period of prosperity such as this country has never known. If we fear this tremendous power and capacity, then by our lack of vision we will be condemning ourselves in a few years to the worst depression the world has ever seen. Our alternative to this is higher wages, bigger business, and more profits. I can't understand why anyone should be afraid of such a prospect.

I am not an economist, nor am I a prophet, but one does not need to be an economist or a prophet to have a rough idea of the chain of consequences that may be expected if we fail to make it possible for the vast number of people in this country to be at once stable producers and consumers. Not only is it a national economic necessity, but also, if I am any judge of evidence and conditions, the people of this country will no longer tolerate anything less than a national post-war policy of full production and full employment within the framework of a continually expanding economy and rising standard of living.

Further, the N. H. A. bases its evidence upon the elimination of only part of the substandard units over a 10-year period, allowing for use of hand-me-down housing by the lower income families, as a way to “serve the needs of lower income families without resorting to any construction for them.”

We object to this approach, because there is an implication in this statement that the N. H. A. is attempting to plan for as low a volume of construction as is possible to meet only the most critical and urgent needs. Such planning probably results from the habits of wartime planning where minimum civilian activity is imperative.

In our opinion, this kind of an approach to the post-war housing problem puts the cart before the horse. Here in America our standard of living is constantly rising as our industrial productivity increases. It should be obvious to even the most casual observer that the national productivity has been stepped up enormously through wartime additions to the labor force, through wartime training programs which have provided new skills, through wartime construction programs which have created new factories and production facilities, through wartime research and development programs which have yielded a

vast variety of new or improved materials, equipment, processes, and end products, through wartime pressures for mass production which have brought about a more efficient organization of plants and personnel—to say nothing of the increases in know-how which promise much for still further advances in the future.

Our post-war production goal in housing and community development must, therefore, be defined in terms which will make it possible to harness this new and ever-increasing productivity of the American worker to the number one task of providing everyone with constantly improving places in which to live, work, and enjoy the fruits of our boundless national resources. This steadily increasing productivity, as all enlightened American business and labor recognize, is the way that high wages can be maintained for the worker, fair profits assured for business and industry, and an ever-expanding economy of abundance made possible. This will be reflected in ever-growing market demands for better housing, better health, better transportation, and greater improvements in all the facilities and services which make up community life.

The N. H. A. calculates that only 12,600,000 of the 16,100,000 units conservatively established as the need for the next 10 years, can be “realistically” produced between now and 1955. However, the N. H. A. admits that 7,000,000 units had been declared substandard in 1940 and were in need of immediate replacement even then. Such planning condemns over 16,000,000 families, or approximately 65,000,000 children and adults, to continue living in admittedly indecent and socially wasteful environment for terms ranging anywhere from 2 to 15 or 20 years longer. None of these figures, it must be remembered, include our American farmers and their families, whose housing in most instances is even worse than that of the city dwellers.

Senator WAGNER. Can I interrupt you just a second?

I want to apologize, but I have explained to the chairman that I have a very important engagement that I have to go to, but I am going to read every word of your testimony.

Mr. THOMAS. Thank you, Senator.

Senator TAFT. Mr. Thomas, I don't remember the N. H. A. saying that “some people may even debate whether we ought to try to get relatively full employment after the war.” They may have, but I don't think that was the effect of their statement. I think, before they come back and deny it, I think I ought to say that that wasn't the impression they gave me when I heard their statement.

On the rural housing, as I understood it, they weren't prepared as yet to present anything on rural housing, so that their figures were not intended to include rural housing at all.

Just in their defense, somewhat, I think I ought to say that.

Mr. THOMAS. Well, I am glad to hear that.

Here again, the N. H. A. has been influenced by the traditionally low output of the building industry and has accepted pre-war standards. Unfortunately, it is true that the building industry has not as yet utilized the scientific and technical advances which have enabled other industries to perform the American miracles of production. When we speak of the building industry, we include all those who design and build houses, who lend and insure money, who deal in land, who produce and distribute the necessary building materials

and equipment, as well as the private and Government agencies concerned with community development. However, the efforts of these groups have never been integrated into an efficient system of production. All who make up the building industry must get together now to plan a housing production goal which will permit the industry to make its maximum contribution.

The first step in such an analysis is to estimate the likely number of jobs that can and should be provided through housing and community construction in a post-war economy of 60,000,000 jobs. When we say 60,000,000 jobs, we mean, of course, 60,000,000 jobs that will utilize the full productive capacity of workers, factories, farms, mills, mines, schools, and other resources. We also mean full-time jobs based on a work day and week most desirable from the standpoint of the worker's productive capacity and well-being.

What job quota, then, should be budgeted for the home building industry that will give a working basis for calculating the amount of houses that must be produced to sustain the home building industry's contribution toward the national goal of 60,000,000 jobs?

In 1940, according to the Bureau of Labor Statistics, there were about 45,100,000 civilian jobs. At the same time there were 2½ million workers employed on public emergency projects, and about 5,000,000 persons seeking work. This adds up to a total labor force of 52,600,000. Of those workers reported to be employed, roughly 2,000,000 were construction workers. Since a large portion of the public emergency work was in the construction field, it is reasonable to estimate that of the 2½ million workers so employed, at least 1½ million were skilled or semiskilled construction workers. In addition, certainly 1,000,000 of the 5,000,000 seeking working could have been gainfully employed in the construction field. This means that in 1940, the United States building industry had a potential labor force of at least 4½ million construction workers.

In figuring the number of construction workers that must be employed after the war, we must consider the changes that have occurred in our total national employment since 1940.

Currently, there are in this country 52½ million workers gainfully employed, and another 1,000,000 who are in transition between jobs.

At the same time, there are about 12,000,000 of our best workers in the armed forces. This adds up to a total labor force of 65½ million workers. On this basis, and allowing for future increases in the labor force through population growth, 60,000,000 civilian jobs is, in our opinion, a conservative figure.

To attain this employment figure, we must first fill, through private employment if possible, approximately 15,000,000 more jobs than were filled in 1940. However, it must be remembered also that the employment figure of 45,100,000 reported in the 1940 census included part-time workers as well as full-time workers. Since our post-war objective must be to maintain full production and full-time employment, an allowance of 5,000,000 jobs should be added to the 15,000,000 jobs estimated to be the necessary increase over the 1940 level, in order to convert the part-time employment to a full-time basis. Thus, to achieve 60,000,000 jobs, we must plan on providing 20,000,000 more jobs than were provided in 1940, to show an increase of 44 percent.

At this rate of increase, the building industry would have to provide 2,000,000 more jobs in the post-war period than it did in 1940. This would give us a minimum job budget for that industry of 6½ million construction workers. However, in all probability, the construction industry will have to show a greater rate of increase than the national average of all employment fields, inasmuch as construction is looked on as the greatest single avenue of post-war employment expansion.

As the fields of war production, such as aviation, munitions, and shipbuilding, are cut back, their surplus labor forces can be qualified to turn to the urgent task of providing better homes and better communities. Returning veterans, particularly Seabees and those in other construction units of the armed services, will also quite logically expect to find job opportunities in post-war construction.

While we recognize that the construction field may have to provide more than 6½ million jobs to insure our total budget of 60,000,000 jobs, for the purpose of this analysis we are concerned only with what appears to be an absolute minimum job budget for all construction and for which we know sufficient skills and ability will be available.

How many new homes along with new schools, shops, airports, roads, bridges, and other community structures can these 6½ million workers produce annually? On the basis of past experience, and in view of the relative urgency of the need for new houses, we can assume that approximately one-third, or 2¼ million of the 6½ million total available construction labor force, must be engaged specifically in residential construction. According to the Bureau of Labor Statistics, 1,400 man-hours are required to build the typical title VI war house, and 1,800 on-site man-hours were required to build the average pre-war type 5-room American home. The average pre-war on-site worker was employed 33 hours per week and only 35 weeks per year, or a total of 1,150 hours annually. This yields a figure of 1½ man-years for the construction of every dwelling unit. At this rate of employment of 33 hours per week for 35 weeks per year, 2¼ million workers could produce 1½ million units annually. However, it should be emphasized that employment of 1,150 hours per year does not represent full employment for those so engaged. In the light of our national debt alone, and the national income needed to meet that problem, an employment of less than an average of 1,440 hours a year for each worker engaged in the home-building industry will be inadequate. This basis of employment of 1,440 hours per year yields a figure of about 1¼ man-years required for the construction of an 1,800 man-hours house. At this rate of employment for the home-building industry's post war job budget of 2¼ million workers, slightly over 1½ million homes could be produced each year. This goal for the construction of at least 1¼ million homes per year, in our opinion, must represent the minimum post-war volume goal of the home-building industry.

I have no doubt that there will be those who will think that the home-building industry, which has often produced only a half million houses a year and has never built a million houses in a year, cannot employ 2¼ million full-time workers, or build 1¼ million homes a year. There were many who could not imagine and who would not have believed, in 1940 and 1941, that we could and did since then train and transport the millions of service personnel now serving throughout the world, and at the same time supply them with the

unprecedented quantity of ships, planes, tanks, trucks, guns, ammunition, food, clothing, medical supplies, and an endless number of other different and necessary items of production. We were then and we still are in a fight for survival. When this war is won, the problems that will confront us will be different from the problems of war, but they will be no less great and no less difficult to solve. They will be solved, however. Men, means, and measures must be and will be found to solve those problems and keep this country strong.

We do not suggest that you accept our findings without question. However, whether it is expressed in terms of jobs provided, or in terms of the home-building industry's share of the dollar volume of the gross national product, essential to meet our post-war problems, we believe that your own analysis will reveal that the employment and production goals we are citing are in reality conservative and minimum.

This is not just a problem of housing, but in a broader sense is the problem of enabling the whole building industry to make its maximum contribution to the level of national post-war employment essential to the continued satisfactory operation of our system of living.

Any studies at all of the changes brought about by this war will reveal an almost unbelievable degree of stepped-up capacity in our production facilities. I want to emphasize that except in the construction field, and especially in the home-building industry, this process has taken place practically in all fields of production. Our analysis of the over-all problem indicates that the one major field for employment expansion lies in that of replacing the economically and socially obsolete structures of this country. We believe that ultimately as a nation we will not be engaged upon just a program of home building, but rather upon a planned program of rebuilding our cities, towns, and other living facilities. It is from this consideration that we believe that a full-time employment of $2\frac{1}{4}$ million workers in the home-building industry and an annual production of $1\frac{1}{4}$ million homes are conservative goals. A national housing program of this volume of employment and production is one of our post-war housing objectives.

Senator TAFT. Mr. Thomas, I think you ought at least mention the fact that besides these construction workers, the industry gives work to, I think, at least one worker off the job for every construction worker.

Mr. THOMAS. I think the figure is greater than that.

Senator TAFT. Yes; I believe so.

Mr. THOMAS. Around four workers, I think.

Senator TAFT. I don't think we got up to that. I think it was something like $1\frac{1}{2}$.

Mr. THOMAS. I am informed that for each million and a half workers, there are 2,800,000 workers employed off the job, in mining, quarrying, distribution, and processing, and so forth.

Senator TAFT. I would be surprised if it came to as much as that, but in any event you didn't mention it as you went by, and I thought it was wise to call attention to it.

Mr. THOMAS. Now, where can be found the new mass market to help sustain and make possible this production of $1\frac{3}{4}$ million houses per year? I believe that an investigation of the family incomes will shed some light on that aspect of the problem.

In the war year of 1942 there were 2,300,000 families—families, not persons—over 2,300,000 families—nearly 7 percent of all the families in this country, with annual incomes of less than \$500. In the same year there were over 4,500,000 families, or nearly 14 percent, with incomes between \$500 and \$1,000 a year. At the same time there were nearly 5,000,000 families, or nearly 15 percent, with annual incomes between \$1,000 and \$1,500, and another 5,000,000 families with annual incomes of from \$1,500 to \$2,000. The significance of these figures is that in 1942, with incomes increased because of the war-production program, there were over 35 percent of American families with incomes of less than \$1,500 per year. This group of 35 percent of our families represents the most acute area of our national housing problem. And yet, during the pre-war year of 1939, the last year before the war of normal house-building activity, less than 4 percent of F. H. A. insured mortgages were made to borrowers with incomes of less than \$1,500 per year. The 5,000,000 families immediately above this group, as far as economic status is concerned, having annual incomes in 1942 of from \$1,500 to \$2,000, and containing approximately 15 percent of all families within this country, also fall within the critical problem area. In other words, a little over half of all American families in the year 1942 had annual incomes of less than \$2,000. If we are to solve the market phase of our housing problem, we must begin to think and act in terms of a housing program that will provide decent, safe, new living accommodations for slightly over half of our American families with incomes not over \$2,000 per year. In no other way can high-volume production and high employment in the home-building industry be reached and sustained. A national housing program with these goals as essential elements is another one of our post-war housing objectives.

According to the 1940 census, 28 percent of the total number of American families occupying dwellings other than farm houses were paying less than \$15 per month, that is, as rent. Another 35 percent were paying between \$15 and \$30 per month, and another 16 percent were paying between \$30 and \$40 per month. Only the remaining 21 percent were able to pay more than \$40 per month.

In order to reach and sustain high production and high employment, the home-building industry will necessarily have to reorganize its past attitudes and practices to serve lower-income groups than it has ever served before. In order to reach the mass pocketbook, the 1¼ million homes must be sold or rented at prices lower than the great majority of our families have been paying. Up to now most new rental and sales houses have been produced to meet the need of the upper 21 percent paying more than \$40 a month, with the vast majority of people being forced to live in substandard hand-me-down housing.

This will require the conscious effort of the organized home builders toward a planned program of techniques for all those forming that organization, and all others making up the home-building industry.

For example, it would be highly beneficial to the builder, the worker, and all others concerned to so reorganize the industry that employment and production would become continuous the year round. By operating continuously, the builder would be able to introduce more efficient methods and techniques, which would reduce his cost, including overhead. Year-round employment for the worker would permit

a guaranteed annual wage, which would increase his annual income and at the same time give him a sense of security which would inevitably increase his productivity and result in lower unit cost. All improvement and reductions in unit cost must be passed on to the consumer in the form of better houses at lower sales or rental prices.

And costs must be reduced if the building industry is to compete successfully with other industries for its proper share of the consumer dollar. The dollar spent for housing must offer as much value as a dollar spent for autos, refrigerators, radios, movies, and so forth. At the present time it does not. It must prepare now to become a mass-production industry by adopting a more efficient organization of operations and through better utilization of the available manpower, equipment, and material resources.

We believe also that ways and means should be devised whereby a reorganized and progressive home-building industry can be assisted by Government to provide socially desirable and economically sound living facilities for a far greater number of American families in the lower-income groups than has ever been possible in the past.

We believe that public stimulus should be made available to progressive private enterprise, to help it meet the Nation's post-war employment and housing needs. Such public aid to private enterprise must be conditioned, however, on the return of maximum public benefit in such a direction as helping to maintain full employment, rehousing families in the lower-income group, and contribution to the economic and social health and stability of our communities and our country. To insure the return of such public benefits from aided operations, definite controls must be retained by the Government.

We have shown, on one hand, that we have the need and the manpower and, on the other hand, the productive capacity to meet the need. We have also shown that costs must be reduced considerably. But to get under way, we must devise new ways of financing new large-scale undertakings, either by large contractors, groups of small builders acting cooperatively, or by consumer cooperatives and labor groups. Federal aids must be devised to assist each of these groups to function most effectively. For instance, sufficient credit must be made available to builders to assure them of adequate construction at low cost, some assurance of long-term commitments beyond a single building season and some reduction in their marketing risks. Risk insurance should be considered for all phases of construction, beginning with marketing, operating phases, straight through to the point where the structure is removed to make room for more constructive use.

Government insurance of mortgage risk should be liberalized and expanded to protect the home owner during periods of unemployment. Special safeguards should be provided to guarantee the home owner a high quality of product.

We believe also that standards in the planning and building of our homes must be brought up to date, and that the benefits that would be made available to the home building industry through a national housing research bureau are essential to the success of a national long-range program of housing.

If we are to have progressively higher standards in community housing and development, we must carry out a coordinated program of research in design, planning, construction, land uses, financing, marketing, management, and community service. If the Govern-

ment is to provide useful technical services to local communities and the building industry, its agency should be empowered to initiate and carry out a comprehensive program of research. The aim of such research should always be to get better housing at less cost.

Housing research in pre-war days was running around \$150,000, and is now down to \$50,000 a year. This is in sharp contrast to the research activities carried on in other fields of production. Who is to do this research? Contractors operate on too small a scale to carry on their own research alone. Manufacturers of building materials often maintain research laboratories, but are interested mainly in the development of their own products, which usually constitute only one part of the total materials used. No single manufacturer is interested in the house as a whole, and none of them to date has been willing to spend much money on industrial research of a comprehensive nature.

Several Federal agencies have engaged in housing research from time to time, but only on a small scale. In other fields Federal agencies have conducted comprehensive programs of research. For example, the Department of Agriculture, through its Agricultural Research Administration, in its own laboratories has been spending between fifteen and eighteen million dollars a year. This is in addition to the six and seven million spent through different State experimental stations. Likewise, the National Advisory Committee for Aeronautics spent between six and eight million before the war, and more recently between twenty-five and forty million dollars a year. The program of research in the Department of Agriculture has made the American farmer the most productive farmer in the world. A similar research program in housing can make the American builder the most productive builder in the world.

More efficient community utilities and services and more efficient land use will reduce the initial and operating costs to the community. This, in turn, will justify a reevaluation of our system of real-property taxation. Cooperation by all of us is needed to determine exactly what system of taxation will be most equitable for all concerned. A system should be devised which will encourage the removal of obsolete structures, as well as create an incentive for the construction of better homes and communities.

Improving design and construction and more desirable land use will also minimize the financial risks and justify lower interest rates. The N. H. A. in its analysis of housing costs points out that a 20-percent reduction in interest from 5 to 4 percent means a reduction of 5.4 percent in the monthly payment. It seems reasonable to us that an even further reduction of interest rate could be achieved without removing the incentive for investment. This likewise is a question which can be answered satisfactorily only if all groups in the industry work together to strike a balance which will be in the national interest as well as in their own individual interest.

Improved design, better quality of construction, and better community lay-outs will combine to reduce the cost of operation and maintenance. Again referring to the N. H. A. analysis of housing costs, we find that a 20-percent reduction in maintenance costs from \$100 to \$80 per unit per year will yield a saving of 3.5 percent in the monthly payment. This figure does not cover possible savings in operating costs which would result from more efficient operations, such

as savings in fuel through insulation. Here again, there should be a pooling of know-how from all segments of the industry. Lessons learned in the operation of large public and private housing projects can show how economies can be effected. Individual home owners and small builders can apply this experience advantageously if they pool their resources in joint operating enterprises.

As we have pointed out, large-scale operation is the immediate way to reduce the cost of construction. A recent N. H. A. analysis of housing cost shows that a 20-percent reduction in the initial construction cost (from \$5,000 to \$4,000) means a saving of 16.4 percent in the monthly payment. With improved techniques it should be possible to achieve much greater savings. In addition to cutting construction costs, there are other ways that housing costs to the consumer can be reduced. By building planned communities on low-cost land and operating continuously on a large scale, it would be possible to cut monthly cost to a level heretofore considered unattainable, as well as to provide safe and healthy shelter for residents of slum houses.

We believe, of course, also that urban and rural slums should and must be wiped out. The undermining economic and social influences of these urban and rural slum conditions to our communities and to our Nation are very well known, and I trust that I need not point them out to the members of this committee. A vigorous program of urban and rural slum clearance and redevelopment is another one of our post-war objectives.

It is not enough in the post-war housing activities that we help to sustain a high level of employment and produce a large number of houses. In fact, if such a program were not directed toward general improvement in another direction, the realization of such a large building program might well increase some of our other serious problems. The plans of growth of our cities, or more correctly the lack of such plans, were crystallized in a manner that has made most of them far out of date with present developments and present living standards and requirements. Certainly if we set out to build a new city today, we would not build it as our cities are now built. This, in itself, discloses our own judgment of our cities. The general cost in private life as well as in business and government is so heavy in our cities that our local governments can hardly carry such costs. All activities in our post-war housing program must contribute to the economic and social stability of our communities.

With slum populations rehoused in more desirable communities, it will then be possible to acquire at their new use values these slum and blighted areas for redevelopment on a sound social and economic basis. The problems of land acquisition, assembly and redevelopment, must be thoroughly studied in order to find new ways and means to reduce the cost of acquiring and clearing our blighted areas and to develop our communities. A careful study of the various specific proposals offered before your committee will undoubtedly result in some equitable formula. We know of no area that needs attention as badly, since the housing problem cannot be solved without a broad urban and rural program.

Although Federal assistance in some form will be required, local communities should be encouraged to set up local community development bodies which would have the power to acquire and develop land. In many communities, the local housing authority that has

functioned admirably in the sphere of slum clearance and land acquisition for subsidized public housing, can be broadened to include in its scope the operational activities made necessary by broad community plans. Where this is not practicable, new community development agencies should be encouraged. Local planning bodies that will work and cooperate closely with such community development agencies must likewise plan in terms of the total community and in terms of meeting the need of all groups who need housing.

How much assistance from the Federal Government or what specific type of legislation would be needed to stimulate this type of activity, we are not in a position to state. However, in this field, too, research and investigation should be undertaken immediately.

We do not foresee such improvements in economic conditions after the war as to cause us to believe that all family income will permit the purchase or rental of decent new housing supplied at a profit. We therefor believed that a large segment of our people whose incomes are so low that decent new living facilities cannot be provided for them at a profit to private enterprise must be housed in publicly subsidized new living quarters. Therefore, an adequate program of publicly subsidized housing is another form of our post-war housing objectives.

Special financial aids should be provided to public agencies who undertake to build for the lowest income groups. At the present time no group in the private building industry has found it profitable to build for those families that fall into the lowest income group and who are unable to pay rentals averaging less than \$15 per month.

As we have already pointed out, 28 percent of American families in 1940, other than farm families, were paying less than \$15 per month. The total amount of subsidized public housing provided by the Government for this group before the war, since 1937, was approximately 105,000 units. In view of this, we are puzzled at the continuous attack on the Government program by private building groups. Certainly it is difficult to understand why labor groups such as the C. I. O. are likewise subject to criticism for their support of public housing, when it is a well-known fact that the vast majority of our members are not eligible for occupancy, because of their higher incomes. Our support for public housing is motivated by the fact that we believe that if our goal for post-war America is a good house for every family and we now have the resources to make such a goal possible, certainly we must continue to provide housing with whatever subsidy is needed to enable these lower income families to leave these degraded un-American slums. However, with a prospect of full employment and the continued increase in the standard of living, the number for whom private enterprise can build profitably will increase and publicly financed building correspondingly decrease. For the immediate post-war period, and allowing for time for the full mobilization of private resources, the number of families with exceedingly low incomes will be greater than will be serviced by a program of 200,000 units for a 2-year period, such as requested by the National Public Housing Conference. This estimate is far too conservative, in our opinion. However, we do not want to engage in a debate as to the exact number of units that will be required. We only want to emphasize that any total, over-all program must include Government provisions for the early rehousing of the lowest income families.

In general, we support the suggested changes to the United States Housing Act, which we have discussed with the National Public Housing Conference. We would like to see some additional changes made, particularly in those sections of the Act that speak of the program as a means to alleviate unemployment. Rather, all housing programs, including the low income housing, should be related to a period of full employment and production.

We are also heartily in accord with any amendments to the United States Housing Act that will stimulate and encourage a low rent local housing program. We urge that the housing agencies, in cooperation with the Department of Agriculture, treat the matter of local housing with special emphasis.

One other change we would like to see made is a provision added to this law (the United States Housing Act) as well as in the F. H. A. mortgage insurance legislation (National Housing Act) which would prohibit the Federal Government from making or insuring loans in those instances where discriminatory restrictive covenants operate. There should be no place in our democracy for the use of Federal money by communities, groups, or public agencies practicing racial discrimination. We strongly believe that decent living facilities must be made available to all citizens without regard to race, color, or creed, and a national program to this end is one of our basic post-war housing objectives.

We feel that private operators in the whole building field and the public housing agencies should perfect plans as soon as possible that will use the construction of homes as an instrument to prevent unemployment during the reconversion period. It is possible that we will experience periods and areas of acute unemployment during this reconversion period. For such an eventuality, we strongly recommend that this committee use its influence to help insure that all necessary steps for the launching of a large-scale housing construction program, both private and public, to stimulate employment, be taken as soon as possible and held ready for use when and where needed. It is essential that this form of insurance be adequately provided as soon as the war program permits.

Recently the C. I. O. urged the subcommittee of the Committee on Military Affairs of the United States Senate, considering mobilization and demobilization problems, that some policy in respect to resale should be set in order to provide against speculation in a possible inflationary post-war market. Such policy should also apply to the disposal of war housing. We would caution against speed in disposal and urge that all decisions be weighed in the light of the local need for housing and the availability of better housing for families who will need to be relocated.

In disposing of permanent war housing, present occupants should be given first preference. Some projects will be especially well suited for disposal to cooperative or labor groups. Before disposal, the amenities in planning and construction sacrificed in the interest of war need should be replaced and the housing made acceptable for long-term occupancy. Community facilities where inadequate or nonexistent should be provided in order to insure a future healthy community character to the project. All repairs and replacements should be project wide rather than on a unit basis. When permanent war-housing projects are disposed of to groups, these groups

should have an opportunity to lease with an option to buy, rather than be forced to make an outright purchase. Legislation should be drawn to permit the sale of permanent war projects to local housing authorities for the use of low-income families if it is in the interest of both the local community and the Federal Government. It is my understanding that under existing law this is prohibited except through a separate act of Congress dealing with each specific project.

Temporary war housing which is built as emergency shelter should be removed as soon as the need for it no longer exists. It should not be permitted to remain as a substitute for the development of new and better housing.

In certain communities, however, where a shortage of decent rental housing exists, and where the temporary housing is better than that which would otherwise be available for low-income families, every effort should be made to improve the temporary war housing and permit its use until better housing can be provided. It would be fantastic to insist on tearing down publicly owned housing, bad as it is, where such action would force families into worse slum dwellings and add to the general overcrowding in the community.

One word now about the housing provisions covered in the G. I. bill:

Housing for veterans should not be considered separate from the over-all housing problem. As it now stands, the act provides an initial assistance to veterans in establishing a home, but does not consider his ability to keep up his fixed charges. Further, the veteran must make up his mind in 2 years after his discharge from service to buy or build a home or lose the advantages of the provisions.

This 2-year limit is inadvisable also because it will encourage inflationary prices if, let us say, 3,000,000 veterans, in addition to the present civilians who want homes, all rush into a buying spree before a new building program gets well launched. We further feel the appraisal method set by the Veterans' Administration will encourage inflation at the veteran's expense. No standards of any kind have been prescribed by either law or regulation.

There are many other things wrong with the law, but these particularly cry for correction. Veterans' housing must be part of an over-all program. The 2-year limitation should be extended to 10 years. Veterans' housing, like all other housing, should be part of a planned community program. An adequate loan fund should be set up to help veterans pay charges, should they suffer temporary default during the readjustment period. Speculation in veterans' housing should be banned, deficiency judgments prohibited. Administration should be under N. H. A.'s charge, and at least minimum F. H. A. standards of planning and construction should be laid down. Appraisers should be Government-employed. All these are minimum changes.

As it stands now, it adds up to the encouragement of a program which will not be in the interest of the veteran nor the planned kind of community development we are advocating to rebuild our American cities.

I should like to call your special attention to the last of our recommendations to this committee.

Housing, like food, is one of the essentials of our life. From the production as well as the consumption aspect, housing plays an increasingly important role in our national well-being. In fact, so permanent and important in our lives is the manner in which the activities

of housing and city building are carried out, that they have taken on greater national significance.

In the light of the development of modern warfare, the arrangement of cities has great military significance. Changes in warfare techniques have, through the ages, always tended to make obsolete the then existing cities and have brought about corresponding changes in the building and rebuilding of cities. While we work and pray that we may never again be involved in war, it would be unwise to allow our cities to continue to be vulnerable to the devastation of war. On the contrary, the military branch of our Government should be consulted in the replanning and rebuilding of our cities. And our cities should be made a fact as well as a sign to discourage any further would-be disturbers of the peace from acts that would involve us in a future war. The cost of rebuilding our cities from this defense point of view, if it were successful in helping to keep us out of future wars, would be small indeed.

Because of its influence upon the stabilization of national employment and its influence upon the health and welfare of all our people, and from national defense considerations, so important has this matter of housing and community development become that we believe that a Federal Department of Housing and Community Development should be created to have the same relation in these aspects of our lives as the Department of Agriculture has to the provision of food and the maintenance of employment in the agricultural field. We believe that the creation of a Federal Department of Housing and Community Development, with its head a member of the President's Cabinet, is essential to the post-war economic and social health of our country, and is essential to rendering our cities less vulnerable to the devastation of modern warfare.

Under the leadership of our great President, and with the constructive assistance and counsel of this committee, we are hopeful that a broad national post-war program of housing and community development will be evolved that will simultaneously make a substantial contribution to our goal of 60,000,000 jobs, and insure that all of our citizens—regardless of race, color, creed, or economic status—can be sheltered and living in an environment in line with American standards of decency and human dignity.

I want to thank you, Mr. Chairman and members of this committee, for the opportunity of presenting to you our views on this vital question.

Senator ELLENDER. Mr. Thomas, you spoke a while ago of economies in building, and made some suggestions. I am wondering if you could suggest any way by which economies could be made in respect to the cost of labor in building these houses?

Mr. TUOMAS. Yes; I think that some plan could be worked out to have continuous production in this industry—you see the fault, as I see it, is that in this industry, the "take home" wage per year of the construction worker, although the public has always been told that he gets a very high wage, actually is pretty low. I feel that if we could have a big enough housing program so that the construction worker could be guaranteed an annual wage for the period covered, labor costs could be lowered considerably.

Senator TAFT. While he got more money, probably, than he gets today?

Mr. THOMAS. He would no doubt get more money over the period of a year than he does now, because I think the average in that industry, in "take home" pay, over a year's time, is pretty low at the moment.

Senator ELLENDER. Well, would you have anything specific to give us today on the problem, or could you put something in the record later as to how that could be accomplished?

Mr. THOMAS. You see I am here speaking for the C. I. O. We have, practically no workers in the building industry in the C. I. O. Those workers are members of the American Federation of Labor, that is, the organized workers in the building industry. I think an annual wage is a problem that the American Federation of Labor should give a great amount of attention to. I don't like to tell them what I think they should do, but I do think that some progress must be made in that direction.

Now I haven't said anything in this statement specifically about prefabricated housing, but I think from my experience in the automobile industry, perhaps one of the most highly mechanized industries in the country, that the housing industry also must become more mechanized in the future.

I haven't said a lot about it because I don't feel that in the field of prefabrication there has been sufficient research and technological improvement made yet to actually get out on a limb and say what we should do. But I feel certain that in the future that is going to come into being; there is no question about it in my mind because we are going to run up against a problem where technological improvements must be introduced in the industry, and that is the direction in which I can see it going. Perhaps not in building complete homes, but rather in building parts, and sections and in planning operations, so that seasonal factors can be taken out and more of the work could be done under the roof. For instance, when there is a deep snow or heavy rain, the whole industry shouldn't have to stop work.

Senator ELLENDER. And the main problem that we have to meet in order to lower the cost for labor is concerned with seasonal employment?

Mr. THOMAS. Yes; through large scale operation.

Senator ELLENDER. And make the work almost continuous?

Mr. THOMAS. That is right. I think that is the biggest thing that has to be done. And, of course, to do that you have got to plan large enough volumes to do it.

Senator ELLENDER. I understand.

Senator TAFT. You say, I notice, that you think 200,000 units a year for public housing is too low?

Mr. THOMAS. Yes.

Senator TAFT. You don't suggest any figure, or do you suggest any figure?

Mr. THOMAS. No; we are not at the moment suggesting any figure. The reason we think it is too low is this. The organization of which I am president has been pushing public housing for a great many years, and yet the people whose organization I represent, few of them, come within the public housing field. Their wages are too high and they don't get any public housing.

Yet I feel there are other sections of the country, and even in Detroit where I come from, where there are people who receive such

low wages that there is no way the building industry can meet their demand for housing at all, they just can't get the figure low enough. I don't blame private industry but it is impossible to build homes for those people, and I think it will require a great many more than 200,000 to properly meet this demand or fill up this necessity.

Senator TAFT. I notice you also criticize the present provisions of the veterans housing law, and feel that that should be revised or reformed?

Mr. THOMAS. Yes; I think it could be liberalized quite a bit more.

Senator TAFT. We had a criticism of it this morning. We will have General Hines here tomorrow or the next day, I believe, and he may be able to make some further suggestions.

Mr. THOMAS. As I said before, although the veteran is helped for 1 year, we feel that he must be helped for a greater period than that, whether it is by lowering the interest rates—and you can do that. Also the savings which I pointed out earlier could be made for all the people in the country, would help the veteran.

The building industry has been, perhaps, the most chaotic industry in this country. Every little group is a separate segment of it. They never get together to work out an over-all plan. That must also be done for the veterans. A lot of them will get themselves a home, and after the first year is over, if they have no further protection, a lot of them will lose their homes. This would certainly help put the economy of the country in a tail spin.

Senator TAFT. Are there any other questions of Mr. Thomas? If not, we want to thank you for your assistance to the committee, Mr. Thomas.

Mr. THOMAS. Thank you, Mr. Chairman.

Senator TAFT. We will next hear from Mr. Johnson, accompanied by Mr. Guste, both of the National Public Housing Conference.

STATEMENT OF LEE JOHNSON, EXECUTIVE VICE PRESIDENT, NATIONAL PUBLIC HOUSING CONFERENCE, INC.

Mr. JOHNSON. I am Lee Johnson, executive vice president of the National Public Housing Conference.

Mr. Chairman, and members of the committee, acting on the cordial invitation of this committee to the National Public Housing Conference, to appear today to present its views on post-war housing and the urban redevelopment program, the executive committee of our organization has asked Mr. William J. Guste, of New Orleans, to represent the conference.

Since the inception of public housing Mr. Guste has been active in the program, serving as counsel to the New Orleans Housing Authority. Formerly he was vice chairman of the New Orleans Housing Authority and signed the first public housing contract for a local community under the United States Housing Act. He is chairman, also, of the committee on legislation of the national Public Housing Conference, which has spent many months in the development of recommendations for a post-war public housing and urban redevelopment program. He has worked with representatives of local citizens' groups, and local housing authorities in all sections of the country, and in the opinion of the conference he is thoroughly

qualified to present the views of a wide segment of the American people.

I present Mr. Guste to the committee and I certainly shall not trespass further on his time.

Senator TAFT. May we ask exactly what the National Public Housing Conference is; is it a private organization?

Mr. JOHNSON. It is a private organization, Senator, made up of individual members. Mr. Guste will dwell somewhat on that in the course of the development of his comments.

Senator BUCK. May I inquire, Mr. Johnson, if you have any support at all from the Government or Government employees?

Mr. JOHNSON. We derive absolutely no support from any governmental agency, local, State, or national. We have members who are engaged in public housing, but such membership is purely on a personal basis and it has nothing whatever to do with their official connection.

Senator BUCK. It is supported financially through membership?

Mr. JOHNSON. Yes; and through private contributions.

Senator BUCK. It is not tied in, in any way, with the National Committee on Housing?

Mr. JOHNSON. No, Senator, there is no connection whatever with that committee.

Senator BUCK. Thank you.

Senator TAFT. All right, Mr. Guste, you may proceed.

**STATEMENT OF WILLIAM J. GUSTE, CHAIRMAN, COMMITTEE
ON LEGISLATION, NATIONAL PUBLIC HOUSING CONFERENCE,
INC.**

Mr. GUSTE. Mr. Chairman and members of the committee, the National Public Housing Conference appreciates sincerely this opportunity to present its views on post-war housing and urban redevelopment to this committee.

Throughout the last 14 years the conference has been sponsoring better housing conditions, primarily through low-rent housing and slum clearance throughout the Nation. The organization is strictly a citizens' group composed of members residing in nearly all of the 48 States. The conference does not accept membership affiliation or funds of any character from any governmental group, national, State, or local. Its sponsorship is from interested citizens and citizen groups. The organization supported the enactment of the United States Housing Act of 1937 and has watched closely the development of that first real experiment in slum clearance, both urban and rural. We feel strongly that experience has shown that the act was wisely drawn and on the whole has been well administered. Flaws have been discovered in the act that need correction. There have been mistakes in administration, but on the whole an excellent job has been accomplished, and we may all plan for the future on the firm ground of experience, rather than in the uncertain fields of conjecture.

In view of the so-called distinction between public housing and private housing, it is desirable to state what the National Public Housing Conference stands for.

The N. P. H. C. is a citizens group, and to say that the conference has always stood for the public's interest in housing would tell the

whole history more fully than to say that it stands for public housing—although of course it does.

The National Public Housing Conference, unlike the ordinary business group or trade association, speaks from the public point of view. It voices the interests of the whole public in better housing for the whole American people, as well as the interests of producers, workers, and consumers in fuller employment and greater prosperity which a large and stable home production will mean. Membership in the N. P. H. C. is open to anyone who wants to make manifest these beliefs, regardless of his occupation or his pecuniary interests.

Historically, the National Public Housing Conference interested itself in slum clearance and low-rent housing projects built with public funds because that was the area of greatest public urgency and greatest social need. We believe that it is sound business, good government, and wise social policy to help those first who need help most. That is why, as an organization, our primary concentration of interest is upon the millions of families who live in urban and rural slums, and who therefore constitute a drag upon our entire national economy. If this be public housing, let us make the most of it. We think it is an expression of our concern with the public's interest in housing, which is something bigger than public housing. At the same time, the National Public Housing Conference has throughout its history interested itself in other methods of providing housing for families of somewhat higher income who also need better housing than they now have.

In the past the conference has sponsored legislative proposals for limited dividend housing and for cooperative housing. If we are not now proposing specific methods of helping private enterprise to do a better job after the war, and of helping it to serve the no-man's land of housing, it is not because we are not interested in these subjects which are indeed of public concern and therefore of concern to us. Our reason for not emphasizing such proposals now is simply that we believe there are many other organizations available to champion and advance this particular segment of housing. The public does not presently need the help of this organization in that area.

We want here to emphasize our twofold objective: First, to make sure that there is enough public housing to take care of those slum families who could not otherwise be served, and at the same time to make sure that public housing does not invade any field or approach perilously near to any field that can be served in other ways; and, second, we want to make it equally clear that we have an interest in supporting cooperatively all sound and reasonable proposals which may enable private enterprise to reach lower into the income scale and to do a better job. That too, is a part of our responsibility as an organization representing the whole public's interest in the whole housing problem.

A large part of the active interest in the National Public Housing Conference is shown by local housing authorities, which are definitely local public bodies organized under State law and responsible to community governments, and through those governments to the people. Members of local housing authorities are in most cases appointed by the mayor and serve without pay. Throughout the Nation every type of business, profession, labor, and citizen interest is represented on these authorities. It is for that group and other citizens' organizations that we feel entitled to speak.

Local housing authorities before the war concentrated on slum clearance and low-rent public housing, because that was the area of greatest human urgency and greatest public concern. Local housing authorities still feel this to be the case, for the immediate post-war period. But being the only public bodies in American communities which deal generally and broadly with housing problems, local housing authorities feel that they represent the whole community in which they are located, insofar as housing functions may arise from time to time which, because of their public importance and specific character, need to be performed by public bodies. The best example of this is the publicly financed war-housing program which was not public housing in the traditional sense, but which the local housing authorities undertook with vigor and success because this was a job to be done by a public body.

In his recent testimony before this committee, Mr. Blandford, Administrator of N. H. A., said that communities after the war should make better surveys of their housing needs. In the opinion of the conference, this requires public action at the local level and therefore it should be done by local housing authorities. Likewise, the National Public Housing Conference and the local housing authorities are greatly interested in urban redevelopment programs. Our reason for this interest is that such programs are required if the whole public interest in housing is to be fully satisfied. Our reason is also that urban redevelopment programs will require public action. We believe this public action toward urban redevelopment to be intimately related to housing action, and that whatever is done of this character at the local level should be done through the local housing authority. In short, the local housing authority is the official expression of the public's interest in housing. In our opinion it should comprise all local governmental action in the housing field at the local level.

Senator TAFT. When this urban redevelopment was presented last week, my recollection is that they separated it entirely; they envisaged an entirely different authority undertaking the urban redevelopment program.

Mr. GUSTE. It would be the thought of the Public Housing Conference that any urban redevelopment should be guided by the local housing authority.

The chairman has suggested certain principal subjects in which the committee has primary interests. I shall limit our comments to a few of these.

Persons in every section of this country who lived through the chaos of the early days of war housing before the creation of the National Housing Agency, and who found themselves buffeted from office to office, never receiving satisfactory information, have reason to know that an over-all housing agency, with operating constituent units, has great merit.

The magnitude of the housing job ahead of us, and the part that the Federal Government will be called upon to play in it is so great that these activities are deserving of a high place in top administration councils. We believe that all Government aid to housing, whether it be direct subsidies for low-rent housing, or Government insurance or aid for home loans, requires coordination. A top policy and coordinating office which leaves constituent units free to handle operations in their respective spheres, is good administration. Despite the

difficulties confronting it, the N. H. A. accomplished a creditable job in providing war housing. Of course, there were mistakes, but by and large, homes were provided in the right place, and on time to permit industry to recruit the manpower that accomplished the greatest industrial miracle of all time.

We believe it is pertinent to point out here that the existence of local housing authorities, organized initially and primarily to this date—except for war housing—to do low-rent, slum-clearance housing, was a positive factor in meeting the pressure of the war job. Responding to the Government's request, they pitched in immediately and assumed a great share of the war housing responsibility, planning, development, and management. Had they not been in existence, staffed by competent people, we honestly do not know how the biggest housing job in history could have been accomplished on time.

With reference to the disposition of war housing, we concur in the recommendations of Commissioner Klutznick. From the local community point of view, permanent war housing built under the provisions of the Lanham Act constitutes the most difficult problem. In many cities there is an increasing public sentiment to have these houses disposed of to local housing authorities to be integrated into the low-rent housing program. Under existing law, this can only be done by separate acts of Congress granting specific authorization in each case. We definitely recommend that legislation be drawn to permit the sale of projects to local housing authorities if such a request is made by the local governing body as being in the best interest of the community, and if a finding is also made by the responsible national agency that such action is in the national interest.

Senator TAFT. When you say "local governing body" do you mean the housing authority or the city?

Mr. GUSTE. Well, the city should participate in it, but the local housing authority should be the general controlling group to recommend. But it should also be in accord with the local approval of the municipal government in control.

Senator TAFT. "Local governing body" sounds as if you meant the municipality?

Mr. GUSTE. It would be the municipality in that instance.

Senator ELLENDER. Would local legislation be necessary?

Mr. GUSTE. I don't think it would be necessary. The only thing that would be necessary would be an amendment to the Lanham Act.

Senator TAFT. And one other thing, probably, if it is to be used for low-rent houses.

Mr. GUSTE. Well, probably so, but those funds would be furnished through regular appropriation under the United States Housing Act.

Senator TAFT. Except that they have run out and we would have to pass an act increasing them, I imagine.

Mr. GUSTE. That is fundamentally necessary; that is a *sine qua non*.

Senator ELLENDER. On the other hand these projects could be sold cheaply enough so as to probably do away with subsidies.

Mr. JOHNSON. It could be a capital grant, Senator, instead of an annual subsidy as an effort to achieve lower rents.

Senator ELLENDER. Yes; that is what I had in mind.

Senator TAFT. You would have to sell it to them for practically nothing in order to equal the subsidy that they would get under the Housing Act.

Mr. JOHNSON. Yes, sir.

Mr. GUSTE (continuing). There is a grave danger, and many communities recognize it, that if these permanent projects are thrown on the market they may have a serious effect on property values and depress the market for new construction in the medium- and high-income group, just at the time it is most seriously needed to help obtain full employment.

It is entirely probable that many of the so-called family dwellings of demountable construction could and should be used on some other site, perhaps in another city or as farm housing. For the most part they are of sound construction and will have a definite use value for many years. Temporary war housing which was built for short life should be removed, at least from housing use, as quickly as practicable. It is costly to maintain, and if continued in housing use it has all of the factors that will degrade it rapidly into the slums of tomorrow. Realistically, we may anticipate strong pressures to have some of this housing kept for housing purposes. Such pressures should be met by universal governmental resistance, local, State, and National. This policy was established by Congress, and communities everywhere have relied on that directive being carried out.

URBAN LOW-RENT HOUSING

For the greater portion of the last year various committees of the National Public Housing Conference have been studying the basic questions of low-rent housing and urban redevelopment. The legislative committee of the conference was named last April to begin the preparation of a specific program which it may recommend to the Congress as representative of the thinking of large segments of the population which have an interest in rehabilitating our cities, by eliminating slums and decayed areas and returning them to their proper use to be developed either by private industry or for public purposes.

Our committee is composed of local citizens from each section of the country. The legislative committee has met several times in Washington where records of experience of the housing program are readily accessible and where it could consult with Federal officials in both the National Housing Agency and the Federal Public Housing Authority, who have had continuing experience with the program. Throughout our deliberations we have consulted continuously with representatives of labor organizations, and with more than 100 other organizations representing private industry, farm groups, social agencies, and citizens' groups interested in the general welfare. While a specific program has not yet been completed for presentation to the appropriate committees in Congress for consideration, we have arrived at several basic conclusions which will, we believe, be of interest to this committee.

By reexamining the urban low-rent housing program, and by drawing generously from the experience of many local housing authorities, it was our feeling that several imperfections in the existing law should be corrected as rapidly as possible. For example, it is of the utmost importance that private capital be brought into the program to finance the entire capital cost in substitution for Government loans in the development of projects. Some of the larger cities have already made great strides in that direction, reaching as high as 85 percent

direct private financing. To do the complete job a few amendments are required. The most basic of these would authorize the F. P. H. A., in the case of a default by a local authority, to acquire a project and operate it as low-rent housing under the requirements of the United States Housing Act. The F. P. H. A. upon such acquisition should be empowered to continue to pay the annual contributions required to maintain the low-rent character of the project. Such annual contributions are also pledged as security for the outstanding bonds of local housing authorities as required by the United States Housing Act. Under existing law, if the Federal Government acquires a project by default, annual contributions stop and the security behind the loan is jeopardized. Immediately upon curing the default the project under our proposal would be returned to the ownership of the local housing authority.

Results of an amendment of this character are obvious. It assures the continued use of the project for low-rent purposes and insures the continuity of annual contributions which make possible the low rents required, and at the same time insures the security for the bonds. Many private investment houses have expressed genuine interest in perfecting amendments of this character and indicate an untapped reservoir of private funds that would go into such investments at low interest rates.

Senator ELLENDER. Mr. Guste, if the subsidies are paid yearly, how could the United States Housing Authority handle it to better advantage than the local authority?

Mr. GUSTE. It wouldn't be a question of the Federal Housing Authority handling it to better advantage. The local housing authority might, in certain instances, be guilty of default. In other words, there are certain protective clauses in the original act, the clause of "equivalent elimination", the clause assuring that these projects be used merely for the low-income group, and so forth, and those conditions are set forth as conditions precedent in the contract.

Should the local housing authority fail to comply with any of these conditions it would be in a state of default, and then the Federal Public Housing Authority could step in, discontinue the annual contributions, and as a result the securities would be in jeopardy.

Senator ELLENDER. Well, I appreciate that, but I am just wondering how the United States Housing Authority could work it to better advantage out of Washington, than the local authority could. It strikes me that if it were a failure under the local housing authority, you might argue that it would be the same with the United States Housing Authority. I can't see the advantage that would accrue.

Mr. GUSTE. It would do this, Senator Ellender. The Federal Public Housing Authority, in such an instance of default, would assume control of the housing project, and then it would see that a program catering to the low-income group was pursued. It would see that the original conditions in the contract were complied with, so far as equivalent eliminations were concerned, and so forth.

Senator ELLENDER. Isn't that a burden now on the local authorities?

Mr. GUSTE. It is, Senator, but if the local authorities fail to fulfill that condition it seems no more than proper that its creditor should have the right to obtain the project and operate it in compliance with the original understanding of the law.

Senator ELLENDER. It all comes back to this, then, that the United States Housing Authority could better handle it than the local housing authority?

Mr. GUSTE. No; it could not. This is an essentially local program and can only be handled best by the local authority in the local community. At the same time, there should always be that protection vested in the Federal agency of the Federal Government to see that local authorities and local communities do administer this program consistent with the original intent of the law, and that on their failure to abide by the original intendment, then the Federal Government, through its agency, should have the right to take over and operate the local project.

We can think of no single greater accomplishment in the public housing field than to have all capital financing come from private sources, eliminating the need for Congress to authorize large capital loans.

Senator TAFT. I can think of one, and that would be to get rid of the subsidy. I don't think the financing matter is of such overwhelming importance. It is a desirable end, I think, but I don't think the question of whether capital funds are advanced by the Federal Government or not, makes very much difference. After all it is the subsidy, it is the \$2,000,000 that would pay the interest on over \$100,000,000 of Government bonds, which is the real substantive contribution of the Federal Government.

Mr. GUSTE. I agree with you in that respect, Senator. At the same time, it would be a great accomplishment in the field of financing to be able to interest the private investor rather than have the Federal Government carrying the entire load and the entire interest, from the financial standpoint.

Senator TAFT. It doesn't make much difference whether the Federal Government has \$100,000,000 outstanding in Federally guaranteed bonds, or whether they are contributing \$2,000,000 a year in the way of subsidy. Whether you do it in the form of subsidy or in the form of interest on your bonds, doesn't make a great deal of difference, except that I realize that the subsidy form is more elastic and may be adjusted to the particular project.

Mr. GUSTE. That is true, and it is an accomplishment to have a wider interest, so far as the American people are concerned, in the public housing movement.

Senator TAFT. Well, their interest is in the ownership of the 2-percent bonds; they don't take much interest, usually, in the project.

Mr. GUSTE. That depends upon the investor.

Senator TAFT. They look to the Federal Government as guaranteeing the income and let it go at that.

Mr. GUSTE. As I say, that depends upon the investor.

Our committee and our board of directors felt strongly also that as a result of the favorable experience of the local housing authorities, the period of amortization should be reduced from 60 to 45 years. Under these conditions it is believed that such a reduction is thoroughly obtainable, and would result in a reduction of approximately 25 percent in the total contributions payable by the Federal Government with respect to each project.

Senator TAFT. Referring to that for just a moment, of course, it reduces the number of years by 25 percent, but since the amortization

is greater, doesn't it make the deficit greater, so that the contributions are just the same in the end?

Mr. GUSTE. The point there, Senator, is that from our experience we have learned that private investors would be willing to take these bonds at a lower interest rate than we could get the money from the Federal Government. That has been our experience. Now, if we can reduce the rate of interest on our loans through this means of private investment, then we are in a position to shorten the time of amortization that will result and that really saves the Federal Government subsidy money. Maybe that is the answer to your original question.

Senator TAFT. What saves the money is getting it at a lower rate of interest, not in reducing the number of years.

Mr. GUSTE. That is true, but if we reduce the number of years that the subsidy will be involved, then we are reducing the amount of money that the Federal Government would have to put in.

Senator ELLENDER. The fact that you can get cheaper money, would that not offset the subsidy paid by the Government—

Mr. GUSTE. Well, it wouldn't entirely offset it, as I say, but it would certainly reduce it.

Senator ELLENDER. I don't mean offset it altogether, but would it not decrease it if you reduced the interest rate?

Mr. GUSTE. The reduction in the rate of interest would permit us to reduce the period of time when we would need annual contributions from the Federal Government.

Senator ELLENDER. And the yearly subsidy would be about the same as is now paid?

Mr. GUSTE. I think that would be correct; yes. You would be saving by a reduction in the period during which you would pay the subsidy.

Senator ELLENDER. But the annual subsidy would be about the same?

Mr. GUSTE. If you retained the amount of time of the amortization, your annual subsidy would be reduced; if you reduce the time, you maintain your subsidy.

Senator ELLENDER. Senator Taft thought that by reducing the time you would probably have to increase the yearly subsidy, but that wouldn't be necessary.

Mr. GUSTE. That is balanced off by the fact that you have a lower interest rate on your bonds—

Senator TAFT (interposing). It is the lower rate of interest on your bonds, not the reduction from 60 to 45 years. You pay exactly the amortization in 45 years as you pay in 60 years, namely the cost of the house.

Mr. GUSTE. I am talking about the annual contributions.

Senator TAFT. Your annual contributions are bigger unless you can get a reduction in the rate of interest. Offhand I would say that a 45-year bond would be more salable than a 60-year bond; and that you might get some reduction in the rate of interest simply by reducing the period of the bond.

Mr. GUSTE. That may be.

Senator TAFT. I don't know, but usually 60 years looks a little long.

Mr. GUSTE. From our studies and inquiries it is the recommendation of the conference that there should be a reduction from 60 to 45 years.

Throughout the experience of public housing there has been prolonged discussion regarding what has become known as "equivalent elimination" of a substandard home for each new home that is built. In determining compliance with this condition, the conference feels strongly that cities and local housing authorities should be permitted to count all substandard dwellings that are eliminated subsequent to the initiation of a low-rent housing project, or those that are planned for elimination by demolition, condemnation, and effective closing, or the compulsory repair or improvement of unsafe or insanitary dwellings situated in the locality or metropolitan area. For example, subsequent to the initiation of a project, private industry, through a redevelopment program obtains land on which many substandard homes have been eliminated and families displaced, although it is in no way connected with a public-housing development. It is our opinion that these homes should be counted in connection with the equivalent elimination provisions of the act. It is possible also that other public programs such as highways, parks, and so forth, will require the elimination of substandard housing. It is our belief that these also should be credited as complying with the equivalent elimination clause of the act since in each case a family living there will be displaced. Such an application of equivalent elimination would be thoroughly realistic, and at the same time would meet the objective of having a slum house eliminated for every family rehoused.

City officials and local housing authorities have for many years been urging the desirability of an amendment to the United States Housing Act giving the administering agency power to make loans to local housing authorities for the advance planning of projects, to be repaid from the development cost of the project when it is approved and project funds are available. Such a loan would enable localities to make examinations, surveys, investigations, and architectural and engineering plans and specifications which go beyond merely filing an application showing the need and general outlines of local programs. Such action would permit cities to be ready for post-war construction the moment it becomes a necessity to the national economy. Such realistic planning would seem to us to make a great deal of sense, and we believe would result in better projects as to planning, construction, and adaptability to economical operation.

In reviewing local authority experience we shall at the proper time wish to recommend other amendments of a technical nature, such as limiting cost requirements to a room rather than a unit basis. While under public housing the average apartment has contained slightly more than two bedrooms, present unit cost limitations have resulted in the construction of an overabundance of one-bedroom homes. The families which should be rehoused generally have several children and houses should be built to fit their needs.

One phase of the urban low-rent housing program that has from the first been neglected in Federal legislation is the rehabilitation of old housing as an integral part of the program. That is another spoke in the wheel which we wish to recommend to you. Public housing has been widely criticized for providing only new housing and not rehabilitating those areas where homes are beginning to fall into disrepair but

where the neighborhood can still be saved. It is said that people of low income are given fine new homes, and people of slightly higher income who are able to get by on their own resources are forced into inadequate second-hand housing.

All of us who have had anything to do with city planning and large-scale housing know that such rehabilitation is not the complete answer to the housing problem, but it is one additional tool toward achieving the objective that we all seek. Some consideration was given under the United States Housing Act to several rehabilitation projects of that character, but they failed of approval because the act did not provide an amount of subsidy which, when added to anticipated income of the reclaimed property, would meet all costs to amortize the debt during the anticipated life of the project.

We on the local level have felt the need for a provision of this kind in the act, and we have urged such action for a long time. Such authority will, we are confident, be limited in its effectiveness, yet there are situations where it doubtless will meet the problem adequately and will reclaim existing neighborhoods. Most especially it will give local authorities an opportunity to find out if such rehabilitation is practical. We urge that the committee consider the desirability of adding a provision of this kind.

It is important to stress the fact, however, that the amortization period of a rehabilitation project must be no longer than 30 years, and that the annual contribution should be 1 percent of development cost higher for projects of this character than for new construction. If such a plan is included in the over-all housing program you will find that local authorities will attempt diligently to make it work wherever practicable.

An obvious question invariably asked of those interested in the housing program is: "What is the total need, and how do you recommend meeting it?" The statement of Mr. Blandford before this committee last week was the most comprehensive analysis we have yet seen on the whole housing need, with all of its parts fitted together, for a 10-year period after the war. Mr. Blandford's estimate of about 12,600,000 homes needed over a 10-year period seems to us a good goal, although the actual need may be somewhat higher since, in our opinion, his estimating is conservative. Even more important is Mr. Blandford's analysis of need according to different income groups and different rent-paying capacities, which introduces a realism in the post-war market for a big housing program, as against the empty boasts from some quarters about what they would accomplish if public housing is put out of business. Mr. Blandford's initial presentation did not attempt to say what part of this need can and should be met by various devices. Doubtless he will have recommendations along that line at a later date.

It is not too early, however, for the National Public Housing Conference to make a preliminary comment about public housing need, and the ability of existing machinery to meet it. Mr. Blandford's testimony indicates that about 360,000 new homes will be needed annually in each of the first 10 post-war years, at monthly rents under \$20 a month. His testimony also indicates that private enterprise, on the basis of past performance and present prospects—and incidentally this was confirmed by the testimony of Commissioner Ferguson of the F. H. A.—cannot get anywhere near building standard

housing in any substantial quantities at a monthly rental of \$20 a month or less.

However, we in the conference, without any knowledge of what Mr. Blandford might propose, have felt that initial requests must be as realistic as local experiences can dictate. They should be based on the most accurate assumption obtainable on the ability of local housing authorities to produce, rather than on over-all needs. We have thought in terms of annual contributions sufficient to support a program providing 200,000 new homes a year for a 2-year period as the beginning point for a post-war public housing program. That would require subsidy authorization of no more than \$35,000,000 for the first year, with an authorization in like amount for the following year. That figure, we believe, is supportable and certainly is not the astronomical sum that has been credited to persons favoring a public housing program. It should be pointed out again that under the amendments proposed above no additional capital authorization will be required.

URBAN REDEVELOPMENT

We have indicated our belief that urban redevelopment and low-rent housing go hand in hand, and we wish to stress again that the only major urban redevelopment that has been accomplished in the Nation has taken place under the United States Housing Act.

We are now talking and thinking in terms of a program that would clean up whole sections of our great cities where areas, primarily residential in character, have decayed to slums, carrying with them all of the blight, both human and structural, that slums impart.

We envisage a program under which a local public agency with necessary financial aid from the Government would undertake to clean up the slums and make the land available for redevelopment to its most appropriate use. They would start with a survey of the slum areas in the city. For each slum area to be cleared, they would prepare a redevelopment plan which would be in accord with the over-all city plan and provide for the reuse of the land in the best interests of the city. The redevelopment plan for any slum area would, of course, have to be approved by the city government directly or through its planning commission. Upon approval of the plan, the local agency would acquire the area, using the power of condemnation wherever unreasonable prices are demanded or titles cannot otherwise be cleared. If the redevelopment plan for the slum area contemplates changes in street layout or other work in preparation for building, such site improvements would be carried out by the local agency.

As to the land which is planned for private redevelopment, the local agency would negotiate with private business interests for the long-term lease or sale of the land at a fair value appropriate to the new use. All construction and development undertaken by private builders, and also that undertaken by public agencies, would be in accordance with the municipal redevelopment plan for the area. If some part of the area is planned for public housing, the land would be turned over for that purpose at a fair value for residential use—perhaps a normal percent of the development cost of the project. Where the land is to be used for park or other public purposes, the city would pay a fair price based on this use, and the development

work could be undertaken by the appropriate city departments, such as the department of parks, the library board, the board of education, and so forth.

Under this plan families will be displaced. Therefore, immediately an urgent need arises to rehouse those families both temporarily and permanently at rents comparable to those they have been paying. Urban redevelopment cannot be accomplished without providing for the housing of these families.

The National Public Housing Conference respectfully recommends in carrying forward a large-scale slum redevelopment program, that it be done under the proven pattern and in the light of experience gained under the United States Housing Act. We further recommend that the F. P. H. A. be given the responsibility for administering such an act. We recommend a formula of annual contributions to absorb the mark-down between acquisition costs of slum and blighted areas and their value in the new use to which they will be put.

Using a 60-year amortization period with adequate financing provisions to make local redevelopment bonds attractive to private investors, we believe that the capital cost of this program will also be financed through normal private channels. The actual cost to the Federal Government can be measured in annual contributions. For example, it is estimated that a maximum contribution authorization of \$25,000,000 would finance a \$1,000,000,000 program. The amounts actually paid would undoubtedly be less than those authorized, as is the case under the low-rent housing program.

Senator TAFT. I like the idea, myself, of tying it up to housing, as compared to the more ambitious plans that are being presented both by the Bettman-Hanson group and the real-estate boards, as I understand it, but I wonder whether it wouldn't be almost better to simply pay the difference in cost, finance it with Federal bonds, or a Federal loan, and then have it resold as quickly as possible, either to private people or to the city for parks, or to the Housing Authority itself for housing, and just have the Federal Government stand the loss, limited in some way, as a grant, to get rid of it.

And would it be possible, or might it be possible, also, if you took that cost of slum clearance out of the subsidy, to reduce the amount of the subsidy for low-rent housing? In other words, some part of the subsidy for low-rent housing will undoubtedly pay the cost of slum elimination. Supposing you put that in the redevelopment program and separated it from the low-rent housing proposition, couldn't we reduce somewhat the authorized contributions for low-rent housing?

Mr. GUSTE. If you immediately wrote off that difference between cost and value in use, you would undoubtedly be able to reduce your subsidy, because then you would only have a reduced cost of development for your slum clearance program, your low-rent housing program—

Senator TAFT (interposing). It seems to me that it confuses the issue to have this cost of slum clearance included in the low-rent housing proposition. They are connected but they are not financially the same.

Mr. GUSTE. As a matter of fact, Senator, the entire public-housing program has never gotten the proper credit for slum clearance which it has accomplished because there has always been an attempt to charge it with this additional burden that it had to carry in the cost of slum clearance.

Real slum clearance is costly, there is no doubt about it, because you have to take care of the removal of the dilapidated and obsolescent structure that is objectionable in the community, you have to remove it and stand that cost. Now that cost is not properly to be attributed to a low-rent housing program. It is a cost of slum clearance in itself and in slum clearance alone, and whether you had a redevelopment program engaged in by a public group or by a private group, it would be no more than good, common-sense accounting, to eliminate that cost of slum clearance in determining the cost of the low-rent housing project.

Mr. JOHNSON. Which is precisely what we are recommending.

Senator TAFT. If you built at the rate of 200,000 public units a year, and 2,000,000 in 10 years, you are still way short of what is shown by the statistics to be the number of people needing low-rent housing.

One criticism I have always had of the public-housing program is that it seemed to be purely an experiment. There was no way of knowing where it was aiming or how much it was going to cost in the end. I have never been much alarmed at the cost, but rather that it should deal with the whole program. I have always wanted to see what the cost of this whole project was. In other words—are we going to house 2 million families, and are the other people in that group going to be taken care of in some other way, or are we really aiming at taking care of 6,000,000 families? What is the goal, or can you state it at the present time?

Mr. GUSTE. I doubt whether you could state that, Senator, because the goal is continually shifting. I don't believe that you should ever attempt to take care of the entire low-income group, or the group that needs proper standard housing.

Senator TAFT. Why should 2,000,000 families get these nice new apartments at a low rent, and 4,000,000 families in exactly the same income group be excluded from them? If the Government is going to do it for 2,000,000, why not for 6,000,000; why not for everybody in the same group?

Mr. GUSTE. A public-housing program ought to be dynamic and not static. It ought not to be our desire to place people in public housing. It ought to be our desire and aim to take them out of public housing. These are not poorhouses or institutions where people should have habitation; they are opportunities for the development of the individuals. Individuals can be and they are, through public housing, trained, they are inspired to better living, and as a matter of fact it is the greatest opportunity that we have in the country today to really build up a private market.

The public houser, in his program, is engaging in a most effective piece of salesmanship for the private realtor.

Today, if an automobile salesman wants to sell an automobile, the most effective argument he has is to put the wife in the automobile and let her drive it. The radio salesman, the Frigidaire salesman, the sewing-machine salesman, the freezing-unit salesman, all take the wife and let her use those articles, and——

Senator TAFT (interposing). I am sorry, but I don't see the parallel at all, because the justification for this housing is that they haven't got enough money to pay for it. There is no such question as to automobiles. Nobody is subsidizing anyone to buy automobiles,

and nobody is subsidizing anybody to buy these other things that you mention.

This is a peculiar and special problem. Surely it improves people and it improves their ideas about what housing ought to be, but it doesn't increase their income, unless we do that outside of this program, in some other way.

Senator ELLENDER. As I recall it we had quite a lot of testimony here last week to the effect that many of the people who were helped by this housing were able to move on and obtain homes of their own.

Senator TAFT. Surely they gradually increase their income, many families do that, but others take their place, apparently, at least that is the history up to date, in the low-income group.

If there are 6,000,000 families in this income group, where are the other 4,000,000 families going to live, and what are we going to do about them?

Mr. GUSTE. Just one sentence more, Senator. We have had this experience, that the people who go into public housing want to have the housing that they enjoy there, and they do become, naturally, ambitious, and they do increase their incomes, and as a result of that increase in income according to law they are removed from the program. Others are then substituted and it is a continuous program of improving people and improving their income. Now in that way you don't have to take care of the whole group at once.

Senator TAFT. Do you mean that everybody gets a higher income by improving their ambition to get it?

Mr. GUSTE. I think that is one way to increase income, by improving ambition. That has been our experience.

Senator TAFT. Well, that is a thought, but it is a rather intangible method of taking care of five or six million substandard income families.

Mr. GUSTE. But, Senator, it works, it is practical, and as I say, just using the analogy of the salesmen with these other articles, it is the best way to have a person interested in obtaining an article and using it and trying to have it.

Senator TAFT. My difficulty is that it seems to me that the justification for this is the need of taking care of these families who can't pay this rent. We have had figures all day on the same thing. There are such families. It seems to me that if that is the problem, we have got to meet that problem. We don't have to meet the problem of slum clearance—which ought to be done because it gets rid of very substandard homes—but I do think that the public housing people have been scared to present the real program for fear that it looks like too much money. Now, I don't think they ought to be scared to do that. If that is what ought to be done, they ought to say so and we ought to consider the amount of money necessary, and if it is too much then we ought to find some other cheaper way to accomplish it.

Mr. GUSTE. Frankly, Senator, as I have stated, I don't think that the entire problem should be met at once. It ought to be handled gradually because of this opportunity for people to come into public housing, use it, and then be removed from public housing. It would be needless to go ahead and construct a home for every person living in a substandard house, because if certain of these persons are put in public housing units, and have the opportunity to understand the

advantages of proper living, they are going to try to get homes for themselves, and insist that the private builder supply those homes to them. The public should not be carrying this burden unless it is absolutely necessary. It is the whole principle of Americanism that we should support private industry, and we rely upon private industry until it becomes absolutely necessary to resort to public relief or public assistance.

Senator TAFT. Well, if it is necessary for 2,000,000 families, I don't see why it isn't necessary for four or six million families. I don't understand that. I can't see why some people should be favored and others in exactly the same condition should be refused such Government assistance.

Mr. GUSTE. We share your feelings and your interest in this entire group, Senator, but we feel we ought to approach it gradually instead of attempting to do the entire job at one time.

It would, of course, be necessary to establish an initial revolving fund for interim financing until urban redevelopment projects are ready for long-term financing. We have been thinking in terms of such a fund, limited to an authorization of \$500,000,000. We know from proven experience that financing of a public program under a plan of this kind is attractive to private investors. We know that competent local governmental machinery is ready to go to work. It seems a waste to experiment with the unknown when proven methods to accomplish our purpose are at hand.

It is not our intent to recommend that all reclaimed lands be tied in with public housing. The program will be outlined according to a master plan, developed locally to meet local needs. Housing should be provided for those families displaced. For those of low income who cannot be served by private enterprise, public housing will be required. Some redeveloped lands will undoubtedly be used for private housing, other for commercial enterprise, still others for parks, schools, hospitals, or whatever the need may be. True cooperation between public and private interests could readily be achieved through the plan we recommend. Each will operate within its well-defined sphere and each will supplement the other. One doesn't have to gaze into a crystal ball to know that such a plan will work for the benefit of all if it is sponsored and administered by reasonable people, and if the hysteria of zealots on the extremes of both public and private housing interests are not permitted to destroy the gains that are perfectly possible of accomplishment.

RURAL HOUSING

In the opinion of the National Public Housing Conference no public housing program can be complete without provision being made to care for the families on farms with unbelievably low incomes and living in housing that makes some urban slums look almost livable. It is difficult to dramatize the rural shack. It does have air from all four sides, but the environment is just as depressing as the tenement of the lower East Side. I believe that all of us recognize the fact that adequate rural housing is just as important as adequate urban housing. Rural families have the same right to decent living as their city cousins. We know also that the problem is more difficult to meet.

The rural program under the United States Housing Act has not proven to be the answer, although it has served to demonstrate that the same formula as used in the city is not applicable to the country. On this phase of the program the Conference has not yet crystallized its recommendations. We have been consulting with farm groups and have discussed the problem informally with officials of the Department of Agriculture and the F. P. H. A.

We have, however, reached some conclusions which may be of interest to the committee.

First, it is our feeling that there must be a clear definition distinguishing rural from urban public housing.

Second, any plan that is adopted must provide for eventual home ownership of the rural home; and

Third, a variable plan of payment, in line with accepted loan practices of the Department of Agriculture, must be perfected. It would enable the farm owner to pay more than the minimum required in favorable years, and to obtain a reduction in his payments in less favorable years. This follows the basic formula of the successful operations under the Bankhead-Jones Farm Tenant Act.

Provision of rural housing is intimately related with the farm economy, and there must be the closest working relationship between the Department of Agriculture and the housing agency. For example, it is essential that the Department certify that the farm involved can be reasonably expected to continue in farm use and that it does not consist of submarginal land. There is no reason to believe that such working relationships cannot be achieved.

It is our hope to be in a position in the very near future to make specific recommendations affecting rural housing. The problem is one of the most difficult and one of the most urgent that we face. We believe it part of our obligation to assist in every way we can to help find a workable, practical solution.

CONCLUSIONS

Representing local housing interests, as it does, the National Public Housing Conference might well conclude with a few general statements. We are not coming to Washington to favor the displacement of private for public operation. We believe that private enterprise should be given every opportunity and encouragement in its gigantic task. Where private enterprise cannot operate, we propose, in public housing, to use private enterprise facilities in every way possible, such as private contractors to build and private lenders to finance. We are here to counsel with you on the problem of a decent home for every American family. A problem confronts us now because we have heretofore neglected our citizenship by failing to recognize this right, and by permitting slums to grow and cities to rot at their core, and farmers of low income to live in hovels. It is a problem primarily local in character but of vast national consequences. We propose complete cooperation between Federal, State, and local governments, with a maximum of responsibility placed on local government to see the job through.

The beginnings that have been made are very much on the credit side of our national ledger. The war housing program has served to

illustrate dramatically how the several levels of government can and will cooperate to achieve great ends. We have, however, reached the place, and as victory draws nearer day by day, we are approaching the hour when the housing industry, public and private, will be called upon to play a major role in conversion to peace and the maintenance of full employment.

Without ringing emotional changes, and when we talk and plan for the American home our conversation can run the gamut of emotions, I wish to say that it is just good business sense to have our plans ready now for execution when needed. We need a great urban redevelopment program. The home construction industry must be ready to shift into high gear with every reasonable aid, and a well thought-through public housing bill is a vital factor in the over-all housing and urban redevelopment plan. This war is not being fought so that our men and women may return to the slums. We cannot permit that.

While we look forward to the day when every American family will have sufficient earnings to secure decent shelter provided by private housing at a profit, that day is not now foreseeable. It is to bring that day nearer to the realization of our own generation that the National Public Housing Conference has studied, worked, and planned, and has appeared before your committee today—and for this opportunity we are deeply grateful.

Senator TAFT. There are two questions that I asked when we talked to Mr. Klutznick, that I would like to have your ideas concerning.

One is the question as to whether this subsidy can be worked out in your opinion, in addition to the public housing program, by subsidies to a privately organized and regulated company?

Mr. GUSTE. I don't think so, Senator. It all depends, of course, upon the plan. I don't know what plan would be worked out, but the plans that have come to our attention seem to be more costly in the first instance. Secondly, I personally do not believe that any subsidy should be given for the purposes of private profit. I believe that it is better to work through the public program, because it is cheaper in the long run.

In some of the plans, private developers would be assisted up to the point, we might say, where they would fully amortize their loans. At that point those properties, and projects, would belong, and the title to them would be vested in, the private holder.

To show just how the cost is reduced, it is just the opposite in the case of public housing, because even after these loans are entirely amortized, those projects do remain public projects. They may be owned by the local housing authority but they are still public projects, publicly owned, pledged to the cause of low-rent housing, for the low-income group, and they do not require at that point any subsidy from the Federal Government. That is quite the contrary in the case of the private subsidy.

Senator TAFT. Well, I don't quite see that. It seems to me the difference between your subsidy is simply between the amount necessary to pay on public bonds, and what is necessary to pay on private capital, which is the difference between, say, 2 and 5 percent. What they use the 5 percent for, that is up to them. They can take nothing on their capital, I suppose, and pay off their bonds with it, if they want to.

But you have to give a return on the property, and that return has to be more. On the other hand you don't have a lot of nontaxable bonds out that the taxpayer does not get any return on. They have to pay in their income tax the income that they get from that 5 percent.

Mr. GUSTE. Whatever the plan might be, Senator, I think if it were fully analyzed it would be found to be costlier than the public-housing program.

Senator TAFT. I can't see why. I don't understand that. I can see why it might be more difficult to run it and perhaps control it satisfactorily, but I don't quite see why it would be more expensive, net to the taxpayer, when you got through.

Senator ELLENDER. I think the charts and exhibits that were presented here the other day show that the amount of contribution made by the tenant is much greater than the cost of maintenance, and paying those charges. Let's say that at the end of 60 years this project is paid for in full and the bonds are retired, there would be no more need of subsidy and they could certainly maintain low rent with the amount that the tenants are now paying.

Mr. GUSTE. That is right.

Senator TAFT. The other question I have is, whether you have a subsidy or rental income, it isn't desirable to have a subsidy for home owning in the same class. Here is a fellow that gets up to \$1,500 a year, and you subsidize him, we will say, for his rental, by, say, \$5 a month, or \$60 a year. Now, if you gave him the equivalent of \$60 a year he might be able to own a home of his own.

I wondered whether, in considering plans for subsidies for low income groups, they should be confined, necessarily, to rental housing, or whether there ought to be some supplemental plan, perhaps for a little higher group, to help them build their own homes, as well as the rental housing subsidy?

Mr. GUSTE. We have considered that in connection with rural housing, but we haven't considered it in connection with urban low rent housing because we haven't felt that it was a proper principle to be applied to urban housing.

Senator TAFT. It might take the form of a grant, rather than a subsidy. I have often thought that it would be easier in this veterans' business just to give them \$500 to help build the house, than to loan them \$2,000 that they are going to have to pay back. It would almost be easier, and you might do something of the same sort in the case of other low-rent housing.

Mr. GUSTE. Well, Senator—

Senator TAFT (interposing). Or we might try it out on the veterans first and see how it works.

Mr. GUSTE. We have found that this system and machinery that we are using now for the urban program so successful, and found that it works so smoothly, that we would rather see it maintained.

Senator TAFT. It works smoothly, but I have run into constant criticism of the public-housing program largely because in the first place, there are not many people in low-rent housing since it has been started. It is just a drop in the bucket as far as the people in that low-rent housing category are concerned, who were formerly in slum housing. I don't know where the tenants came from but apparently many did not come from the slums. And people don't see the over-all

plan. They just see a public-housing project built, and people up to a \$3,000 income are allowed to live in it while other people can't get into it; and I would think that it could be improved very materially to get much wider public acceptance.

Mr. GUSTE. Unfortunately there was a mere scratching of the surface in the initiation of this program.

Senator TAFT. And this rental housing is one of the things. I have had cases brought to me where a fellow is living in his own home, comparable in income and everything else to the fellow living in a housing project, and although he has paid for the home he is probably paying in taxes alone more than the fellow in the housing project is paying in rent.

So I am suggesting that it ought to be graduated in some way so you don't have an especially favored group, and other people in the community are complaining about it.

Mr. GUSTE. We have never felt, Senator, that we should go above that low-income group, and we have always felt that the intermediate area, the so-called no-man's land, was really a challenge to private housing.

Senator TAFT. It is a challenge to private housing, but they are the same people. You might not need as big an income. Here is a fellow and up to a certain amount of income he gets a lot, but if he steps over that line he is much worse off than the fellow just below the line.

Mr. GUSTE. Yes; that will happen. In all governmental administration it is hard to draw the line.

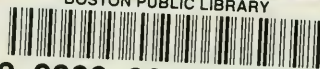
Senator TAFT. If we are going to proceed with this policy of the Government guaranteeing a floor under housing, we have got to maintain the incentive. The fellow who earns more because he is a better man ought to be better off than the fellow who is getting Government help. It seems to me it is our job to work these programs of assistance out in that way so that there is a constant incentive to improve and get better housing.

Are there any further questions? If not, thank you very much, gentlemen, for your assistance.

We will recess until tomorrow morning at 10:30, when Mayor LaGuardia will appear. We will possibly meet in the Finance Committee Room, if that is available, in order to get away from the noise of that compressed air machine outside.

(Whereupon, at 5:20 p. m., the hearing was recessed until Tuesday morning, January 16, 1945, at 10:30 a. m.)

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